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Some Financial Aspects of Current International Problems

By ELMER WOOD

WHEN ONE ATTEMPTS to state what are the pressing international financial problems he implicitly assumes some general objective that is being sought. In the United States that objective is commonly taken to be the restoration of multilateral trade under the drive of the price motive—trade where individuals do the bargaining and not where the direction and terms of trade are determined politically by States that bargain among one another as such, using their economic and political power as counters in the bargaining. It may be, of course, that evolution will not be in that direction and that we shall never return to a system where getting a living will be the joint effort of individuals who are in some real sense members of one economic world. But I shall assume provisionally that our aim is to establish such a world.

Starting from this general frame of reference, it seems to me that, aside from the question of relief, the most pressing requirement is the reintegration of a cost-price structure that is as nearly world wide as possible. Prices and costs throughout the trading world must have a workable consistency so that individuals may produce for a dependable market—where they receive money that is good anywhere—and where they may go to buy what they need. An acceptable standard of life requires an elaborate international division of labor, and if trade is to be revived under a price economy, there must be a set of international price relationships that make this division of labor possible.

Of course there must be a reasonably stable international money with which the national economies can establish at least provisional contact. At the moment this is not the most pressing problem, for the dollar is temporarily stable enough for the purpose. But the problem may soon become a pressing one and we shall return to the point later.

The most pressing problems, it seems to me, are: (1) the removal of inflationary pressures in other countries; (2) the revaluation of foreign currencies so that they will reflect more faithfully relative cost structures and the terms of trade that can be expected in the immediate future; (3) the lifting of exchange restrictions and the abolition of bilateral clearing agreements. Let us take these up in order.

I

ONE SHOULD NOT MINIMIZE the difficulties of relieving internal inflationary pressure. Part of the problem is ideological. People have been taught that general monetary controls are cruel weapons to relieve inflationary pressure. There must always be more jobs than there are men to fill them, they are told, whereas general monetary controls proceed by reducing the number of jobs *below* the number of men to fill them. But if it is said that "we do not mean to use monetary restriction to the point of creating unemployment," it is replied that monetary restraints are not effective at all in mild doses and that a dosage that would be strong enough to be effective would also be destructive of prosperity. To this objection to monetary controls is added that of ministers of finance, who want to keep the annual interest cost as low as possible on the budget. Central banking has thus been largely reduced to a routine of maintaining the prices of government securities by creating whatever amount of cash is required for the purpose. There is the further objection to flexible controls on the part of those who believe restriction would reduce investment in export industries. This is the attitude of the London *Statist*, for instance.

At the same time, governments of the day, under criticism from their opponents on the left, are willing to make promises for a standard of living on which they cannot deliver. It solves the political problem for the moment to grant a money wage increase. High wages do not at all times mean general inflation, but where there is inflationary pressure to buy all the labor offered they become an integral part of the process. Moreover, where the authorities place full employment above everything else, they must see to it that aggregate demand is sufficient to create jobs at the wage rates that have been fixed.

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It seems to me that there is no prospect at all for a workable national or international monetary system without returning to general monetary controls, where spending is regulated by the control of liquidity. One of the strangest doctrines of this era is the view that the terms on which money may be created have no important connection with the volume of spending.

The second important step necessary to the restoration of multilateral trade on a price basis is the revaluation of national currencies.[1] Currencies were allowed to become overvalued partly because it was feared that a drop in the exchange would accelerate internal inflationary pressures and partly because it was hoped to hold up the real terms of trade with the outside world. Also when production was so low immediately after the war, countries were not too much concerned to find foreign markets.

A firm grip on internal monetary controls is prerequisite to devaluation with safety. Nor can countries be expected to relinquish their exchange restrictions immediately. Both the new exchange rates and the lifting of exchange restrictions will have to be experimental. One of the objections to the International Monetary Fund is that it does not allow a free hand in adjusting rates.

What should be the criterion of an appropriate exchange rate? Provisionally the new rate should be one that will permit the easing of exchange controls, and finally one that will balance the international accounts without the controls—excepting capital movements not permitted. (Capital movements may have to be controlled for a long time.) There is one other condition that must be mentioned. The rate must be low enough to avoid the necessity of deflationary pressure when the controls are removed. The real danger under present circumstances is not that the countries will defend an overvalued rate by internal monetary restriction —as England did during the Twenties—but that they will devalue too little and defend the rate by exchange restrictions.

II

THIS BRINGS US to the difficulties of removing exchange controls. Suppose a country has mostly one-way flexibility in its internal cost structure. It may argue that only inflationary pressure will maintain full employment, and that even though there were no other difficulties in the way—in the form of a drop in the terms of trade—the lifting of exchange controls

[1] Since this paper was written, Great Britain and a great many other countries, both within and outside the sterling area, have devalued their currencies. While this move has apparently relieved the dollar shortage somewhat, there is a probability that the dollar is still generally undervalued in terms of foreign currencies.

would mean a more or less continuous drop in the exchange rate that would maintain equilibrium. Moreover, a drop in the exchange would in turn make it more difficult to control internal inflation. Thus they seem to have a choice among retaining their present controls, open inflation, or unemployment.

Is this dilemma real? It is now the fashion to exaggerate the amount of unemployment to which the shift from inflationary pressure to internal equilibrium would give rise. Certainly there is no historical evidence to show that the transition from inflationary pressure *must* be marked by serious deflation and serious contraction of production. The problem must be faced: a price economy must have some degree of flexibility. The risk of a small amount of unemployment seems not too great in order to get out of the present situation of suppressed and half-suppressed inflation, continuing exchange overvaluation to some degree, and the controls which these entail. The latter are certainly wasteful in the form of voluntary unemployment and the misallocation of resources. In any case the problem of flexibility cannot be avoided, since if the price economies should go down they would probably be succeeded by totalitarian economies that would deal with the matter in short order.

Sometimes it is urged that exchange control cannot be abolished because there is *no* exchange rate—or at least none that would be thinkable—that would balance the current items on the international accounts, even granting that internal inflation could be dealt with effectively. It is claimed that the rest of the world needs so much of what we have—partly because of our technological superiority over a wide range of industries—while, on the other hand, we need so little of what they can produce, that the real terms of trade under a free market economy would turn indefinitely against them and to our advantage. This argument seems quite fanciful. Countries that are short of dollars include those with a wide range of productive powers—they include producers of raw materials as well as industrial countries. Surely, with such a variety of capacities among themselves, they cannot claim that their collective need for the special products of the United States is so overwhelming that their terms of trade with us would deteriorate indefinitely.

Those who urge this argument are trying to make it appear that there is some technical cause inherently connected with the price organization of international trade, together with the shift in the pattern of trade, which is responsible for their difficulties. But the inability to produce and the poor organization of trade are in truth their ill, and overvaluation will not cure it. In fact it increases the difficulty. It is more profitable

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for traders to send exports to countries with overvalued currencies than to send them to areas where dollar payment can be obtained. Countries with less overvalued currencies tend to accumulate claims on countries with greater overvaluation. In order to make some use of such balances, the authorities who hold them may require importers to buy not what is needed but what is available. The general result is that a country sends out exports that it can little afford to part with to places which do not pay in generally acceptable cash and then is unable to buy badly needed imports which must be paid for in generally acceptable cash. There is then a distortion of the structure of industry and the continued threat of an exchange crisis, which is staved off only by American aid.

The solution of this problem should not be made to appear too simple. No one country could go very far in solving it for itself. If a single country should cut its prices in terms of dollars and then sell only to hard currency areas, it would find that a large part of its market was cut off, for so many countries have few dollars to offer. The solution requires that devaluation and dollar convertibility be undertaken by a great many countries, though a most important step would be taken if the sterling area were to restore convertibility.

American aid is of course badly needed, but the question of how much aid we should extend has only a superficial connection with the so-called "dollar shortage"—the disequilibrium in the international accounts. The latter problem arises fundamentally from overvaluation and the deliberate use of reserves to buy needed imports. How much aid we should extend depends upon how much we are willing to sacrifice in order to raise European living standards. There is a certain sense in which we may consider that there is an objective test of the amount of aid required: if we try to keep the people of Europe from cracking up politically and economically, then we must help them to the utmost to maintain such a standard of life as will keep up their morale. But this is something quite different from the view so frequently expressed in the *Economist*, that the international payments between a rich and technically advanced area and one that is poor and technically backward will not balance without the use of controls. One need only consider England's own dealings with backward countries in former times to see the absurdity of this view.

III

So far, we have dealt with the adjustments which other countries must make in order to provide a unified financial system and help reintegrate the world cost-price structure—in short, what their contribution should be

toward restoring a world economy. These are the most pressing problems for the moment. But the suggestions presuppose that there is a stable monetary and trading area that they can adjust to. However, there is a question of how long the dollar standard will continue to give a stable basis on which to organize the world financial system. The maintenance of financial order will involve some important responsibilities on our part.

Some people seem to believe that the main work of providing a stable international monetary standard will devolve on the International Monetary Fund. In its future development they expect it to serve the international economy in a capacity somewhat similar to that in which a central bank serves a national economy. But I believe this is a mistake.

The original Keynes plan *did* offer this theoretical possibility. It provided for a kind of international central bank that would supposedly regulate the world reserve-money supply in the common interest, so that all countries could maintain reasonable stability—at least in normal circumstances—provided they were themselves willing to make the appropriate internal adjustments. (The plan had the fatal weakness of requiring unlimited acceptance by the United States of balances in the Clearing Union.)

But the present Monetary Fund is not an international monetary authority in any true sense. It does not determine the conditions of the supply of money but presupposes some kind of international money already in existence. It does not determine the principles for the management of the money to which the national units are attached, but concentrates on the problem of parities. It assumes that a serious disequilibrium in a country's international accounts will be dealt with by a change of parities; and its most important function is to police this process—to see that a change of parity is no greater than what is required to restore balance. (I am giving no attention to its lending activities, since these seem to be no more than a minor convenience and might better be handled through some American institution.)

Now one may doubt whether a system of independent currencies mutually adjusting to one another by changing exchange parities can take the place of an international standard. Under circumstances of the present the adjustment of parities should of course be stressed, since it would be fanciful to suggest returning to dollar parity by deflationary processes. But it is quite another matter to depend upon the adjustment of parities as a rather usual procedure for balancing the international accounts. While exchange adjustments are better than exchange controls, they nevertheless prevent a close integration of prices throughout the inter-

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national economy. An adjustment which tends to cut all the price tags of a national economy at once may remove some price discrepancies, but at the same time it creates others. One cannot of course claim that a workable system requires that there be no shift in parities when the period of reconstruction is over, but it would not be desirable for the important national economies to resort to it.

However, if the maintenance of parity is to be the rule, there must be a central currency which is stable in value and it must be easily accessible to the member countries which stabilize with it and hold it as their international reserve.

Under the nineteenth century gold standard, sterling served in the capacity of a central currency. It had the great defect that it enforced great expansions and contractions of demand. It is true that the Bank of England did a great deal to neutralize the effect of gold movements; but when the gold reserve was dangerously low the managers of the standard—they would have denied that they were such—had no other alternative under the existing rules but to contract.

But sterling as the international currency had the great merit that it was accessible. Those who needed bills on London in order to meet their international obligations could always obtain them by selling goods to England. The terms might be hard but the goods could always be sold at some price or other, even during the worst depression, and without the payment of any duty; and the money received was good over the entire world. As Professor Clay has so aptly expressed it, England was the "buyer of last resort." England was also the "lender of last resort." Good bills drawn against exports to any part of the world could always be converted in the London money market into international cash.

When the United States took over the rôle of managing the international currency during the First World War, we were in one way better situated than England had been to discharge such responsibilities during the nineteenth century, but in some ways less well situated. We were in a better position in that we had greater freedom of action in the management of the dollar. We had little need to worry about the flight of gold in devising monetary policy; and at the present time we need have no fear at all; for the American economy is so strong and the prestige of the dollar is so great that its position would not be shaken if we were to slough off the remaining forms of the gold standard. Unfortunately, however, we did not use our advantage when the great test came in the early Thirties. While holding the largest gold reserve that had ever been gathered together we allowed our monetary system to go into ruinous contraction

and carried the other currencies with us until they cut loose from the dollar. It was here that we had a "dollar shortage" in the appropriate sense of the term. Dollars were not short then because there was inflation in the member countries, but because in the country which managed the world standard there was a drastic contraction of demand, while at the same time there was a high tariff wall to keep out foreign goods. The window where international cash might be obtained was closed.

So in one way we are less well situated than England was to manage the international monetary standard. We have no political ideology that allows us to be the buyer of last resort. We do not raise free competition to the level of a principle to which we remain steadfast even during depression. America has been liberal in making public loans and gifts to other countries, and in prosperity we are heavy importers, but in depression our imports are drastically diminished, and in a world where the dollar is international reserve this is nothing less than a calamity.

In another respect our position as manager of the international standard is more difficult than that of England used to be. On the whole the nineteenth-century world was prepared to make the sacrifices necessary in the lowering of costs to meet the conditions of the gold standard—sacrifices in the form of business losses, the increased burden of debts, and unemployment. These sacrifices were thought well worth making in order to avoid the dangers of a paper currency. The nineteenth century world had been taught to fear inflation as the greatest of economic evils. But the experiences of the Nineteen Thirties have conditioned the present world to fear unemployment as the greater evil and it is willing to throw in the balance the dangers of inflation and the machinery of a new mercantilism to attain that end. To manage an international standard so as to permit high employment, while at the same time the member countries maintain parities and forego the use of exchange controls, will be a difficult task indeed.

Yet, if international trade is to be organized on a price basis and if the standard of life is to be raised in other parts of the world, we must have such a standard. No other country besides the United States is in a position to assume the responsibility of providing one. Moreover, America has no national interest that would prevent her from trading with the utmost freedom with the rest of the world, from becoming the buyer of last resort. Nor do we have any need to resort to commercial restrictions or exchange rationing because we may lack the means of purchasing what we want from abroad, for the dollar is good money everywhere. Neither do we need to resort to exchange cutting in order to sell. For we may be

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quite sure that other countries will buy from us to the extent that we make it possible for them to do so by providing dollars with our imports, saving only such dollars as they need for reserve. And above all, we do not have to make the difficult choice between a policy that will maintain internal stability and one dictated by the needs of maintaining exchange parity. If we do not maintain a high level of economic activity, and without inflation, we can have no one to blame but ourselves, or rather, those who conduct our policies. Furthermore, policies in the interest of our own economic stability are also in the interest of the rest of the world.

Formal international organization will not provide the necessary machinery for a stable monetary standard. Without international sovereignty the central money of the world must necessarily be managed by some one nation; and it will be adhered to by other nations because it is to their interest to do so. The responsibility is ours and we must assume it. There is no more likelihood that the world will have a stable financial organization without our assuming the responsibility of managing it than that the world can have political stability without our shouldering the main responsibility.

Yet one may not feel too confident that the world wants the return to a system of trading along the lines of price incentive, that is, along the lines of liberal capitalism. Production within national borders may be organized more and more along authoritarian lines and of course international exchange could scarcely then be organized in any other way than along political lines. But a world ordered in this way would not be a safe world for the smaller national economies, but would be one of economic vassalage. Whether it would be a safer world for the individual we do not know, but it is not likely that his standard of life would be as high.

University of Missouri

Planning Cities for People

We live in a world of compensation, under laws that are universal, immutable, implacable, and yet beneficent; for without these eternal, immutable laws there would be no progress. If we build so that our building is on sand, the building falls and we learn a lesson. If we build the buildings in our city so that they destroy the health and the safety of our people, we shall learn our bitter lesson. If we plan our lives and our cities so that they shall be fit for the purpose for which they are planned, this immutable, implacable law will yield us all its beneficent fruits.

Lawson Purdy

The Equal Right to Land

THE SUPREME COURT of the United States decided unanimously on May 3, 1948 that the Constitution proscribes the enforcement of restrictive covenants which deny to "all persons" the "equal right" to occupy and hold land, within the domain of that State. The case is *Shelley v Kraemer* (334 US 1), and the concurring separate opinion by Mr. Justice Frankfurter is even more vigorous about this equal protection in the Constitution than the main opinion.

Not so many years ago, this same Court ruled that "slaves" were private property, secured by provisions in the U. S. Constitution. (*Dred Scott v Sanford,* 19 How. (US) 393). It cannot be forgotten that those who were told by the Court that they could "own" another man, fought, bled and died in the effort to defend that ownership. In 1868 the United States Constitution was amended (14th Amdnt) to try and make impossible a return of slavery, in any form or degree, but not until May 3, 1948 was this provision passed on squarely by the highest court in respect of "rights" in the field of land tenure.

Eminent authorities attach far-reaching importance to this ruling. Any State or Nation which allows any people unequal rights or privileges to hold land, must violate the equal right of others to life, liberty and the pursuit of happiness. The words "All men are created equal," written not only in our Declaration of Independence, but enacted as an integral part of our law, (1 U. S. Statutes at Large, at p. 1), and also written into the Constitution in 1868, are given a force and effect by this decision never before clearly announced by our highest court.

The way is now clear for people of good will, sincerely seeking peace and justice, to urge the repeal of all present tax laws that have the force and effect of allowing special economic privileges to the holders of land, which those not holding land cannot enjoy.

Only when all laws which allow landholders unequal privileges, have been repealed, and only when there has been a skillful restructuring of our tax laws, will peace and justice be established, and only then will our political structures provide the equal protection to both weak and strong, which history warns us they must provide if liberty is to survive, in this constitutional Republic.

"God . . . hath made of one blood all nations of men for to dwell on all the face of the earth, and hath determined the times before appointed, and the bounds of their habitation." (ACTS, 17: 26).

San Francisco J. RUPERT MASON

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British Labor's Record

By Roland Gibson

When the British Labor Party assumed responsibility for the government of Great Britain, in 1945, it promised to nationalize the basic industries, furnish adequate housing for every family, establish old age benefits and free health service for every citizen, guarantee full employment, continue those wartime economic controls that would be found necessary to assure everyone a fair share in the distribution of scarce commodities, create an agency for the supervision of private monopolies, and provide for planning the development and use of land.

In the four and a half years of its first term of office, the party has taken the necessary steps to carry out these promises. It has nationalized the coal, gas, and electricity industries; railway, road, and canal transport; the cable and wireless service; and the Bank of England. It is preparing to nationalize the iron and steel industry.

Despite the shortage of wood and timber, which must be imported from abroad, and the limited supply of capital, the government has pushed the construction of over a million houses for working class families, especially in agricultural and coal mining areas where labor has been urgently needed.

The social security system, launched by the Liberals in 1908 and expanded from time to time since then, has received its crowning provision in the establishment of generous retirement benefits for every working citizen. And, closely related to this security system, is the expansion of the Health Service to furnish free medical care of all kinds for every man, woman and child in the nation.

The government has acted in such a way as to guarantee not only *full* employment, but a not too healthy condition of *over*-employment, in which there are more jobs almost everywhere than workers available to fill them.

An agency has been set up to investigate allegations of monopolistic practice in private industry, with authority to publish its findings and, in certain cases, to take appropriate action. A Town and Country Planning Commision has been established to oversee the reconstruction of war-damaged areas and the planning and development of the industrial, agricultural, and recreational use of land in the public interest.

Finally, most of the wartime economic controls have been retained to make sure that all citizens will share fairly in the distribution of the limited supply of consumer goods which could be made available in a

period when first priority must go to building up the country's depleted capital resources and restoring its international trade.

The Financial Problem

GREAT BRITAIN LIVES by importing. It has few natural resources left except coal and some iron. It has no wood to speak of, no cotton, and its land area is too limited to produce more than a small proportion of its food requirements. It must import or perish.

To import it must export. Before this past war it had large capital investments abroad which furnished income that helped to pay for some imports, but a considerable portion of that investment had to be liquidated to pay for war supplies in the months before Lend-Lease. It used to perform vast shipping and banking services for the commerce of other nations, but many of those services are now being performed by the United States. The gap between the cost of its imports and what it can pay with exports of goods and services has consequently widened. Temporarily our Marshall aid is helping to bridge this gap, but it takes only a slight dislocation in the pattern of international trade to bring about a loss of gold, which is always acceptable in payment for goods but which is dwindling dangerously in the reserves of the British Treasury.

Britain has made strenuous efforts to increase its exports to narrow this gap. It has increased the volume of exports by 60 per cent above pre-war. And it has kept the volume of its imports below the pre-war level. But the gap remains—particularly in the balance of trade with the United States.

The United States has been, since the war, the best source of supplies for the industry and life of the people of Britain. And we have not particularly needed many of the goods which the British can export to us. (In some cases our tariffs and customs regulations have kept out goods which our consumers might otherwise have been glad to buy.) The British have had to buy cotton from us. The high purchase tax imposed upon tobacco has not diminished the appetite of the average Britisher for tobacco products. Certain metals produced here are essential for their industry. They need some of our machinery to modernize their industrial processes. And they have purchased food from us, especially when food products such as wheat or bacon have become surplus here and the British have been required, by the terms of the Marshall plan, to buy some of them from this country rather than elsewhere.

As a result, Britain has had to place restraints upon the free importation

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of commodities according to the preference of importers, and has had to stimulate British manufacturers to manufacture the maximum quantity of goods for export—especially for the American market. In thus controlling foreign trade, the government has retained the power to license imports and exports, to allocate scarce raw materials to those firms which would make the best use of them in producing for export, to control prices, and to ration foods and some other scarce consumer goods.

The rationing and price control have also fitted in with Labor's doctrine of "fair shares." Since the importation of food and such commodities as petroleum had to be controlled, and since the largest possible share of the output of certain goods had to be diverted from the home market into exports, the distribution of these goods to consumers was rationed by government regulation. This was considered a preferable alternative to rationing by the price system to the highest bidders, as would have occurred in the free market if controls had been removed. Every citizen has been entitled to his "fair share" of the pitifully scant supplies of meats and fats and eggs and canned goods which have been available. Large subsidies have been paid to British farmers rather than allow the price of dairy products to the average working family to rise.

The Direction of Labor

THERE IS ANOTHER KIND of control that was first allowed to lapse at the end of the war but which was reintroduced, in a limited form, as a result of the balance of trade crisis of 1947—the direction of labor. It is doubtful if many British laborites relish the idea of bringing any kind of compulsion to bear upon a working man or woman to work at a particular job or in a particular place. Actually no person was required to do exactly that under the Control of Engagement Order.[1]

When workers left jobs they were required to select another job in one of the large number of essential occupations which were open to them. They were not required to move from their native town. In the case of coal miners or agricultural workers, the need for labor was considered so great, in the national interest, that they were obliged to get some kind of job somewhere or other in the same industry. (Coal for industry or export and food are basic requirements for the solution of the British problem). If a person refused to comply with these requirements, he could be directed to take a certain job. This compulsion was exercised in a few instances, but for the most part workers complied with the regulations without

[1] Since this article was written the government has removed all statutory controls over the movement of labor.

resistance. A British economist who has studied the working of this order reports that it helped in influencing workers to move into or remain in the more essential occupations.

British Socialism, so-called (although less than a quarter of the economy has been completely socialized), is not a slave or totalitarian State. The government resorts to as little compulsion as possible in exercising its controls. In many instances the planning is carried out through conference agreement between government officials and the leaders of industry. The results are obtained not by edict but by persuasion and appealing to the patriotism of business men, laboring people, and their leaders. No legal ceilings have been placed on wages, but wage increases have been limited by voluntary co-operation of the unions. (Incidentally, much more of this co-operation is going to be needed in the coming months if devaluation of the pound is not to lead to internal inflation.) Few legal ceilings have been placed on profits, which frequently have been high. Business men have been requested to curb their appetite for profits, and in some cases profit margins have been fixed, but generally speaking the control has been through voluntary action. The principal penalty for profiteering has been through the tax system, which takes from the larger income receivers to finance the expenditures of government, the social services, subsidy payments, and the like.

Anyone who reads the documents of the British government, in which its officials discuss their plans for production, for balancing imports and exports, for allocating manpower and other resources, and for distributing the national income between capital expansion and consumption, must be impressed with the democratic flavor of the thinking and writing. It is apparent that they are acting as representatives of the people in such a manner as to serve the long-run interests of the nation while preserving the current standard of living of the mass of the population so far as possible. The aim, of course, is finally to raise that standard.

The Nationalization Program

IN CARRYING OUT its nationalization program, the government has met with a mixture of success and reverses. Little difficulty has been reported with respect to electricity, gas, cable and wireless, or the Bank of England. The output of electricity and gas is being increased at about the same rate as before nationalization. Cable and wireless services are carried on in conjunction with the internal telegraph services of the Post Office Department, and the change in the Bank of England is at present a formal one, although

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the Bank has been given power to exercise control over the whole commercial banking system of the country if circumstances should require.

The reverses have been met in the coal and transport industries, which had been sick industries under private ownership and whose maladies continue to require fundamental therapy under the new regime.

In taking over the coal industry, the National Coal Board inherited a situation of bitter human relations between bosses and men, deteriorating capital equipment, lagging technology, and poor living and working conditions. It was confronted with the problems of raising wages to make coal mining more attractive to potential recruits into the working force, introducing the promised five-day week, improving the conditions of work, installing more modern machinery and more advanced technological methods, and improving the human relationships between supervisors and mine operatives. It will take a long time to accomplish all of these ends, but a beginning has been made.

During the Board's first year of operation, 1947, it lost heavily, partly because approval for price increases to cover increased labor costs was slow in being granted, partly because of the strain of the unprecedented bad weather in the early months of the year. In 1948 the Board made a slight profit. Last year the profit was large enough to erase about half of the loss of 1947. During the present year there should be an excellent prospect of completely wiping out the balance of the first year's deficit.

The Board has had an uphill job in building up the post-war labor force and in boosting production to the point where domestic needs for coal could be filled and leave a surplus for urgently needed exports. Last year the industry finally met the target set for it by the government's economic planners—215 million tons. It has been increasing its exports at an encouraging rate. In November, average weekly production of coal reached the pre-war level, which was 13 per cent above the level of 1946. Labor productivity, measured in output per man-shift, reached the pre-war figure in 1949 and showed an increase above pre-war in the last few months of the year.

The discouraging side to the picture is a high rate of absenteeism and falling manpower. The causes of the latter are now being investigated. The former is caused largely by the elimination of the workers' fear of possible unemployment, the high income taxes which set a fairly high premium on leisure by taking a high proportion of even working people's incomes after a certain level has been reached, fatigue—especially among

the older workers—and the shortage of consumer goods to buy with one's income.

Turning to the nationalization of transport, the British Transport Commission reports that the railways are losing money. It has asked for unprecedented increases in freight rates. Costs of operation have risen—including increased charges for coal, higher labor costs, and the rising cost of keeping obsolescent equipment in repair until the time comes when the government can spare funds from its capital budget to allocate to the purchase of new equipment. It will be difficult to appraise fairly the results of nationalization in this industry for some time to come. It will take time to unify the different railway lines, to eliminate unprofitable units and still provide adequate transportation for passengers and freight, to work out a new structure of rates in which competing railway, road transport, and canal services are co-ordinated. It will take time to re-equip the railways—thus far they have had to wait while priority in capital expenditure was given to housing and factory building.

The iron and steel industry, on the contrary, would be taken over as an efficient going concern under the bill passed in the House of Commons just before the 1950 general election. Partly, perhaps, under the threat of nationalization, and partly because of an assured market for an increased output of steel, this industry has done an excellent job of increasing production in the post-war period. It began to surpass the pre-war peak in 1948 and by the end of last year had reached the target set for it by the government. In the peak year of pre-war production, this industry produced approximately 13 million tons of ingot steel. Last year it turned out 15½ million tons. The British Iron and Steel Federation, which has been accused of restricting output before the war and maintaining high prices by monopolistic methods, proudly reports that it is selling its steel at the lowest prices in the world.

Now that eventual nationalization of this industry is likely, it is possible that productivity may fall off somewhat. The private owners and managers had naturally hoped for a Conservative victory, in which case the bill providing for nationalization of the industry would have been repealed. A record of outstanding production achievement was regarded as a strong argument for replacing a party that was bent on nationalizing this efficient industry by one that would stop nationalizing and concentrate on improving the methods of managing the industries already nationalized. The failure of the Conservatives to win a parliamentary majority clouds this hope. The personnel in the industry must face nationalization. Many

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of the administrative staff won't fancy this, no doubt. Even if they do not consciously sabotage the government's efforts in the nationalization process, they are likely to lose some of their recent zest. Consequently, the industry's efficiency may suffer somewhat during the period of transition from private to government operation. If, then, other conditions not changing radically, the production record for 1950 and 1951 (nationalization would become effective January 1, 1951, under the bill that was passed) shows no improvement over last year, or even if it shows a slight decline, the result will not necessarily be attributable to the "inefficiency" of socialism. But after the second year of national operation, it should be possible to measure the results and come to some reasonable evaluation of the merits of socialist management of the industry.

Progress on the Production Front

ELSEWHERE ON THE PRODUCTION FRONT, in the private enterprise sector of the economy, considerable progress has been made also by the motor car industry, which has increased output 30 per cent above pre-war, compared with an average increase for all industry of 27 per cent. The cotton textile industry, which is strategic as an exporting industry, is far below pre-war in both production and exports, although its record in both respects is improving. This industry lost a great deal of manpower during the war and it has been difficult to persuade men and women to return to it because of their recollections of low pay and unemployment in the pre-war period. Progress is being made in reorganizing the industry's antiquated methods of management and wage payment, however, and continued slow improvement may be expected in the future.

One of the most promising industrial developments under the present government has been the encouragement which the labor leadership has given to methods of improving productivity. If they can be assured of continued full employment, the rank and file of the trade union membership possibly can be persuaded to follow the ideas of their leaders and gradually abandon their old practices of restriction of output and cooperate with management in installing better technological and managerial methods of producing goods. Aid in this direction should result from the reports which are being made by the various productivity teams of labor and management representatives who are visiting this country to study our advanced production techniques in a number of industries.

In agriculture, progress is being made toward the goal of a 50 per cent above pre-war increase in output by the end of the Marshall plan. Forty

per cent more land is now planted to wheat, barley, and oats than in 1939, and the 1949 harvest of these crops was 54 per cent greater. The output of potatoes is 70 per cent above pre-war and that of vegetables 45 per cent higher. There were 15 per cent more cattle and 28 per cent more poultry on agricultural holdings in June of 1949 than in June 1939, but unfortunately 27 per cent fewer sheep and 36 per cent fewer pigs. The loss of the sheep has been a particularly hard blow to the British, who are normally a mutton-eating people.

The demand for health services in Great Britain has proved to be much greater than had been estimated by the Ministry of Health when the National Health Service was established. It was known, of course, that hospital and nursing facilities would be inadequate, but it was decided to introduce the universal system immediately with the expectation that a demonstrated need for more hospitals and nurses would help to bring the supply into existence. As a matter of fact, the demand has been greater than anticipated and in certain cities the hospitals have long waiting lists. Some opponents of the system have charged that neglect of urgent cases has resulted from this overcrowding. It would seem only reasonable, however, to surmise that the great need for medical, dental, and ophthalmic attention, which has been brought to light by the institution of these free services, demonstrates that many an urgent case must have been neglected under the prior regime of private medicine, when many poor people could not afford to patronize the doctors.

Opponents of a national health service in this country have gone to considerable limits to discredit the British service, but none more extreme than the extent to which Harold Stassen, president of the University of Pennsylvania, has gone in an article in the February issue of *The Reader's Digest*. He writes as follows: "This breakdown of the hospital and medical care for the aged is probably the principal cause for the startling jump in Britain's death rate in the first quarter of 1949—a rise to 150 per 10,000 from 123 in the same quarter of 1948."

A checkup of Mr. Stassen's statistics reveals that he was correct in the figures he cited, but he did not bother to dig up further pertinent data to avoid distorting the picture. The death rate in the first quarter of 1948 happens to have been abnormally low for those months. In the first quarter of 1947 it had actually been higher than in the first quarter of 1949—169 per 10,000 as against 150. In the first three quarters of 1949, the death rate turns out to have been a little lower than in the same nine months of both 1946 and 1947, though higher than in 1948. I do not

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know why the death rate was so high in the first quarter of 1949, but it could have had very little, if anything, to do with the fact that the National Health Service came into being the previous July.

It was inevitable, of course, that there would be some gold-brickers who would take unfair advantage of the new free services. The recently instituted charge of a shilling for doctors' prescriptions may help to reduce this practice.

Reform Amidst Emergency

IT IS PROBABLY UNFORTUNATE that the introduction of the health program had to be timed to coincide with the balance of payments crisis through which the country has been passing. All abnormal government expenditures add to the inflationary pressure within the economy and draw capital and labor away from alternative uses, such as the production of goods for export. A similar comment may be made with respect to other reforms to which the Labor Party was committed. They have been introduced at a time of emergency when the strain on the economy would have been severe in any event. And the improved results which are expected to ensue from some of the capital expenditure in the long run are impossible of achievement in a short-run crisis.

The present economic predicament of Great Britain is predominantly a balance of payments crisis. One aspect of the problem is to find other sources than the dollar area for some of its imports. Devaluation of the pound, by making imports from the United States and Canada more expensive, will operate as a spur to induce British importers to seek alternative sources. But this effort may not sit well with American exporters.

Another angle of the problem is for British manufacturers to increase their exports to this country. Devaluation operates to reduce the dollar price of British products, which will make some British merchandise more attractive to American consumers. But the quantity sold must be increased more than 44 per cent to net the British any profit. Efforts are being made to encourage British manufacturers to improve their knowledge of the American market, of methods of merchandising here, of methods of packaging. Perhaps these efforts will bear fruit.

A further aspect of the problem is the matter of the trade of the rest of the sterling area with America. If the American industrial demand for raw materials produced by Australia, India, Malaya, New Zealand, South Africa, and other sterling area countries can be maintained, those countries will obtain dollars which they, in turn, may pass on to Great Britain in payment for British exports.

For this to be effective, however, some agreement must be obtained to provide for postponing payment by Britain of her war-incurred debt to sterling area countries. In recent months some of these countries have been drawing heavily upon Great Britain for goods which they need, but they have not had to pay for them either in other goods or gold. They have merely reduced their blocked sterling credit balances in London. In this way, a considerable portion of Britain's increased exports of goods since the war have been "unrequited," bringing in no imports to sustain the standard of life and provide raw materials for industry, and no gold for Britain's reserves or for shipment to Fort Knox in payment for imports from America.

The fundamental economic problems of Britain are going to be difficult to solve without more suffering and disappointment on the part of the people who have voted Labor back in power, because there appears to be no way of avoiding a cut in the standard of living of the British people. Further sacrifices in consumption must be made if production is to be concentrated on exports and if imports are to be cut. It is extremely difficult for the leaders of a labor party to ask its members to accept a cut in their standard of life, but it is a part of Labor's new responsibility as a governing group to educate the rank and file to a new sense of some of the specific things this new responsibility may entail.

University of Illinois

Lumber Production Incentives in North Korea

THE COMMUNIST BRETHREN in Pyongyang, North Korea, were obliged to struggle with a common capitalist problem not so long ago, how to "bolster" the lumber industry. They hit upon profit sharing, 5 per cent of the profit being allocated to a manager's fund for the improvement of the material and cultural welfare of the workers. Felling men and hauling men working at heavy labor in the mountains, and rafting men and lumbering men received a somewhat larger food ration. Priority in the issue of rations was given lumber workers. Pay scales were revised. A few dispensaries were set up. In other words, the great Marxist brains failed to come up with a single new idea. These are the type of morons who leave experimentation to the capitalists, yet have the effrontery to pose as the "progressives."

W.L.

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Bismarck's Relations With England

By Francis Neilson

Students of history today are fairly busy collecting books and documents that may be of service in the work of attempting to solve some of the problems with which the statesmen of Europe had to deal before each of the two World Wars. Here and in England there seems to be an earnest desire to unearth information that has been either overlooked or carefully concealed from the public. Secondhand booksellers have many inquiries for works that are now hard to get. My library is fairly well stocked—better, indeed, than any I know of in private possession—but for years I have been searching for certain volumes and pamphlets that somehow have disappeared from circulation. I have now on order in London several books, well known before the first World War, which cannot be found.

The diplomatic documents published by governments reveal only part of the story of the causes of wars, and the accounts in them of the progress of negotiations among the chancelleries must be checked and rechecked with care. Even after this is done thoroughly, there is still much to be told. The task of exploring biographies, memoirs, correspondence, and particularly pamphlets is essential if the investigator would make a comprehensive job of it.

Historical Documents

There is one work that should be in most of the libraries of this country, which is of great importance to the student of history who desires to know the political condition of Europe from the close of the Franco-German War down to the time of Bismarck's offer of an alliance to England, about 1890. It is called "Bismarck's Relations with England, 1871–1890," and it is the first of four volumes, entitled "German Diplomatic Documents, 1871–1914," selected and translated by E. T. S. Dugdale (Harper and Brothers, 1928). It purports to be a selection of diplomatic letters, notes, and dispatches taken from the secret archives of the German Foreign Office by the distinguished historians, Professors Johannes Lepsius, Albrecht Mendelssohn Bartholdy, and Friedrich Thimme, who published their completed work of fifty volumes in Germany in 1927.

So much has happened during the past twenty years that I was not surprised to find in England in 1949 two or three students of the wars—well-informed authors—who did not know of the existence of these documents or had forgotten about them. We live at such a pace that im-

portant news of last year passes speedily from the memory, and only a well-kept index file can save us from annoyance when we go in search of an event that would have lodged in the memory quite clearly when I was a young man. Since the close of World War II, some of our busy historians have been in haste to publish a record of European affairs; but if they had taken the trouble to survey a wider and deeper background, they would have better served the cause of historical integrity. Such a vast amount of information has been overlooked, or ignored, purposely, that hasty conclusions are now being subjected to an examination that proves them to be somewhat superficial. Many questions are also put on interpretations which the cautious mind cannot accept.

Thus, we find that much of the nonsense that has been written about Bismarck during the past ten years is not based upon the facts as revealed in these documents. The so-called man of "blood and iron" (*"Eisen und Blut"* is the correct form), had he been all that his severe critics make him appear to be, would not have been accepted in polite diplomatic society, as he undoubtedly was, during the troublesome years when he shaped and molded the separate States of Germany into a powerful confederation.

J. W. Headlam-Morley, historical adviser of the British Foreign Office, has written an introduction to these diplomatic documents. According to my information, he was never pro-German at any time. Yet, after describing the British popular view of Bismarck, he writes:

> It is not too much to say that the information throws a completely new light upon the political relations of England and Germany during this period, and in particular on the attitude of Prince Bismarck to England. . . . In the serious and carefully considered documents printed in this volume, we find something very different, a constant endeavour to establish a friendly co-operation with the British Government, and even definite suggestions for an alliance between the two countries. There is no sign here that he underestimated the importance which a good understanding with England might have for his country; what we do find is the constant expression of annoyance, disappointment and chagrin that he could not persuade the leaders of British policy to take that active and responsible part in the counsels of the European states which he desired. (pp. xiii-xiv)

It will be something of a shock to those who have known Germany for the past forty years to learn from Headlam-Morley's introduction that:

> Bismarck's motives for desiring an active participation by this country in European affairs are very clearly indicated and often stated with great frankness. Europe to him meant the Great Powers, England, France, Germany, Russia, Austria and Italy. The whole art of European diplomacy at the time consisted in the management of their relations to

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one another. It was from them and from them alone that danger to peace could come and at this time, as he constantly asserts—and there is no ground for doubting his statement,—Bismarck was above all anxious for the preservation of peace. There was nothing which Germany wanted which she could gain by war, and a war, even a victorious war, would be disastrous. . . . (p. xvii)

Those who are influenced by war propaganda will find it difficult to conceive how it was possible for the man of "blood and iron," as he has been pictured to us, to assume the rôle of guardian of the peace. But that will be a comparatively mild surprise for those who have been fed upon newspaper gossip in recent years. And, yet, it is worth mentioning that the evil done by these questionable methods is not less notorious now than it was seventy years ago.

However, the public of today have had trenchant lessons of how these evils have been perpetrated. After the evidence given by Nicholas Raffalovitch on the witness stand in Paris at the time of the libel case against *L'Humanité*, taxpayers should have been on their guard and read with caution the screeds that appeared before and during the war. Raffalovitch, as the financial man of the Russian embassy in Paris, told the full story of the bribes that were paid to the editors and journalists of French papers. But such bribes were not unknown when Disraeli and Bismarck were at the forefront of European diplomacy. At that time, Russia played no insignificant part in cultivating opinion by a liberal use of the purse. Even Bismarck was not above suspicion in this business.

The Geographical Position of Germany

THE DEEPER I DELVE into the diplomatic quagmire of Europe, the more I wonder how it is possible for British and American students to understand the underlying causes of the catastrophic frictions that have set the Continent in a blaze since the time of the Franco-German War. Few of our historians have explained clearly the peculiar situation of Germany lying at the heart of a continent, hemmed in from time to time by potential foes, and often made "the battleground of Europe." Britain, surrounded by water, was so differently placed that a sense of security was ever present in the Englishman's mind, so long as the navy was Mistress of the Seas. Moreover, a study of foreign affairs did not seem to concern the average British taxpayer; he regarded it as something beyond his understanding and was willing to leave the conduct of the chancelleries to those who had been "bred up to it." Perhaps this was the chief reason

why the efforts of English statesmen and Bismarck to come to a clear understanding were bound to fail.

In political, diplomatic, and social outlook, not one of the great powers could be likened to a neighbor. Each had its own peculiar problems to deal with, and the men in Europe at that time who understood this could be counted on one hand. The geographical position of each was unique, and to a great extent the industrial and social conditions of the masses differed widely in the various countries. Bismarck, however, drew the line severely and knew the difference between a European problem and a national one. When Prince Gortchakoff had urged that the Eastern Question *"qu'il s'agit de resoundre n'est ni allemande, ni russe. Elle est Européenne,"* Bismarck made marginal remarks as follows: *"Elle est russe. It is incorrect to talk of 'Europe.' It is a geographical idea."* (*Ibid.*, p. 47)

Yes, it was purely and simply a Russian question, and we know today that the policy of the Bolshevik differs little from the policy of the Czar so far as the east is concerned. Indeed, for the present, the imperial ambitions of Gortchakoff have been consummated by Stalin.

However, there was one man at Berlin—the British Ambassador, Odo Russell—who not only knew the German problem as it concerned England, he also knew those of European States. But he was an unusual diplomatist, a clearheaded one, with no ax to grind but that of the true interest of the country he served. When British ships sailed into the Sea of Marmora without a firman from the Sultan, the Czar promptly took up the challenge, and war seemed to be imminent in February, 1878. Then Bismarck became the towering center around whom gathered those who wished to avert a struggle. He wrote to Schweinitz, the German Ambassador at St. Petersburg, as follows:

> Lord Odo Russell, himself naturally a peace-lover, was convinced on Saturday that war was imminent and was instructed to ask me what attitude Germany would adopt towards it. I informed d'Oubril [Russian Ambassador at Berlin] of this confidentially. On Monday telegrams arrived from London and Vienna, urging us to arrange for the Conference at an early date, England adding that an early meeting promised the last remaining chance of staving off war. Münster [German Ambassador at London] shares in this opinion, as stated by Russell. The postponement of the Conference, which according to your telegram, No. 45, is imminent, may produce far-reaching consequences. Prince Gortchakoff is quite aware what he is about and does not need our advice; but I beg that you will communicate the foregoing facts to him. (*Ibid.*, p. 65)

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Lord Derby, who was Foreign Minister at the time of this crisis, suffered many distressing hours during the month of March and, receiving an adverse vote in the House of Commons, had no choice but to resign his position. Lord Salisbury took his place. Negotiations for a Congress to discuss the matters in dispute took no easy course. Reading the dispatches that passed between the statesmen and diplomatists of the various powers is a revelation in the bickerings, shuffling, and jealousies that European crises always bring to the surface. It seems that England had to shoulder the responsibility for much of the trouble. Count Münster wrote to Bülow early in April, 1878:

> Lord Salisbury has chosen a dangerous moment for taking over the Foreign Office and, as far as I know him, would not have done so, if he were not prepared to go to war.
>
> The Cabinet situation has undergone a remarkable change. Lord Beaconsfield is at the moment inclined for peace and wishes to shift the responsibility for war on to his Foreign Secretary. Lord Derby refused to shoulder it, and Lord Salisbury is prepared to do so, if he sees that no other course is possible. . . .
>
> Into this remarkable situation England has been driven through her weak policy of conditional neutrality and the assertion of the purely selfish view of her own interests. War, if it comes, will have been entered into without any predetermined objective, but merely for the establishment of power and of what is involved by "prestige," a word existing only in the French language. (*Ibid.*, p. 90)

About the time Salisbury became Foreign Secretary, Bismarck seems to have come to the conclusion to act "the honest broker, who pushes through the business." He was accepted as mediator, and invitations were sent to the powers to attend the Congress. Count Münster wrote from London in June, saying:

> Lord Beaconsfield's decision to attend the Congress causes much surprise. It is held to be a sign that he expects the Congress to be a success, and is unwilling to allow Lord Salisbury the full credit for it. Lord Salisbury is inclined to smile at this and thinks Lord Beaconsfield will play but a nominal part there and only remain a short time. . . . (*Ibid.*, p. 98)

It will be seen in many parts of these documents that statesmen and diplomatists were not devoid of humor even when they were dealing with the gravest problems.

A few days later Münster had something quite different to communicate to Bismarck. He had learned that Salisbury "was most anxious that Lord Beaconsfield should undertake the journey." And he added:

Lord Salisbury said to me: "I am very glad that Lord Beaconsfield is going to meet Prince Bismarck. He will learn a few facts about the Eastern Question, which have up till now never been told him. Prince Bismarck will gain a great influence over him, and that is my wish." (*Ibid.*, p. 99)

Imagine Beaconsfield in ignorance of a few facts about the Eastern Question! It is true the views held by one and the other might have differed considerably, but Lord Beaconsfield prided himself upon his oriental wisdom and knew perhaps more than Bismarck did of the desires of the Christians, Moslems, and Jews of the Near East.

Only a brief reference may be made here to the German efforts for a *rapprochement* with France. One learns in the chapter devoted to this matter that German interests in Africa were merely commercial. There is some information upon loans that should not be overlooked, for these are usually managed—or manipulated (a better word for the business)—by the international gentlemen who influence the conduct of banks and weave the network of the heavy industries which supply the munitions of war.

Bismarck's Proposed Alliance with England

We come now to the heart of the matter—the proposed alliance with England. The student will find much food for thought in these dispatches. In a German note it is recorded that

> . . . Münster reported on January 12th, 1876, that Lord Derby, alluding to Prince Bismarck's overtures, had, word for word, said that "since he had been Foreign Minister, he had received no communication that had given him greater pleasure, and about which he felt greater satisfaction. He had a downright admiration for Your Highness, and considered a rapprochement between England and Germany to be the only right policy." These two "were the only States having, as far as he knew, no divergent interests." These pleasant expressions, repeated though they were by Lord Derby several times in the first half of 1876, were not the last word in the matter. Lord Beaconsfield admitted without question in 1879 that Bismarck's efforts towards a nearer understanding with England at that time were destroyed by England alone. "That proposal (of an alliance with Great Britain) was not only rejected by the English Secretary of State, but was only notified by him to his colleagues, accompanied by his opinion, that it could not for a moment be entertained." (*Ibid.*, pp. 144–5)

While studying these documents it would be well to understand that in the diplomatic fencing that took place there was always a button on the point of Bismarck's foil. He had to guard himself against the rapiers

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used by Russia, France, and England. And this he did with consummate skill. Whether he was the first to propose the alliance with England or not may be left to the intelligent student of these pages to determine. There is a German Note, in the way of a summary, which prepares one for the history of the matter. It makes a long quotation, but its importance does not suffer it to be shortened:

Münster's and Beaconsfield's accounts differ widely in one respect; Beaconsfield described the matter, as though the German Ambassador had under Bismarck's direct instructions mentioned a defensive Alliance between Germany, Austria and England as his object, and as though he, Lord Beaconsfield, were against such an Alliance owing to the close relations existing between England and France. According to Count Münster, on the contrary, it was the British Prime Minister who opened the question of an Alliance and in the same breath approved of it. Count Münster's version is intrinsically the more probable, for he was never charged to mention the question of an Alliance. It is supported further by a private letter from the Ambassador to Radowitz [of the German Foreign Office] (September 27th) in which he wrote: "At the first word, which I spoke concerning the possibility of the cooling off of good relations with Russia, Lord Beaconsfield said to me that his constant hope and aim had been an intimate understanding and a close Alliance with Germany." Moreover, Lord Beaconsfield's letters to Lord Salisbury of October 1st and 9th prove that he fully realised the point of Bismarck's question—whether in the event of European complications England would decide "not to be neutral and non-interfering, but to act and to act with allies." In his "Memorandum for Queen Victoria" he had carefully shirked this point. His remark to Lord Salisbury, that in his conversation with Count Münster he had purposely avoided the word "treaty," is characteristic. Yet he expressly declared it to be worth considering "whether some treaty between the three Allies, not formally and avowedly for the great object, but with reference to some practical point connected with it might not be expedient." Hans Pleyn's *Bismarck's Foreign Policy after the Foundation of the Empire* contains an important reference to the use of the word "Alliance" in this connection. (*Ibid.*, pp. 145–6)

In September, 1879, Count Münster paid a visit to Lord Beaconsfield at his country house, Hughenden, and there he had the opportunity of talking to him quite alone. In the dispatch that Münster sent to Bismarck recording the conversation he had with Beaconsfield, we learn that: "He would enter with joy into an Alliance with Germany." Mark the term "alliance!" Münster, however, appreciated some of the parliamentary difficulties and raised the question of "the future position of the Crown and the Opposition."

"As far as the Crown is concerned, you may be quite easy," he [Beacons-

field] continued. "Her Majesty knows only of one enemy of England, and that is Russia. She desires nothing more earnestly than a full understanding with Germany. In that quarter also you are quite safe."

I said—what about the Prince of Wales, whose great French sympathies are known?

Lord Beaconsfield jokingly said: "You are right. The Prince has a certain amount of sympathy with the French, but even more for the French ladies. But these sympathies are less deeply rooted than his dislike, nay almost hatred, for Russia. Therefore, if it were a question of a possible war between France and Germany alone, he might perhaps side with the French, but a war against Russia and France would find the Prince on the side of Germany." (BISMARCK: *"That is a Vienna recipe."*) (*Ibid.*, p. 147)

It is amazing to learn how this suggestion affected the leading men in England. And, in a way, it is amusing when one knows that not one of them, if put to the test, would have had the courage to present the matter to Parliament. Moreover, not only France had to be taken into consideration, but Russia also. How would such an alliance affect these powers? Nevertheless, we learn from a dispatch in October, 1879, from Münster to Bismarck:

I think I may express my conviction that Lord Beaconsfield sets the greatest value upon an Alliance with Germany, (BISMARCK: *"Really!"*) and that we can count firmly on the support of him and his Party.

I do not know if Lord Beaconsfield has mentioned our conversation to Lord Salisbury, but judging from the way in which the latter spoke to me, I should assume that he has done so. (*Ibid.*, p. 149)

The business of inoculating Salisbury is an example of Beaconsfield's adroitness which should not be overlooked. But was this real or simulated? Was England in need of a powerful friend in case the trouble with Russia was aggravated? Whatever the true reason for the desire of English statesmen to have an understanding with Germany, the notion spread rapidly, and even the Prince of Wales, in 1882, was imbued with the idea and wrote to the Crown Prince of Germany, "arguing in favor of a better understanding between their two countries."

When the Liberals came into power, Earl Granville became Foreign Minister, and Sir Charles Dilke assumed the rôle of Under-Secretary for Foreign Affairs. In a dispatch from Count Herbert Bismarck to his father, sent from London in September, 1882, we learn something of matters the British public knew little about. In this communication we get a glimpse of foreign affairs which diplomatists reveal in documents open to the taxpayers only long after crises are past:

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. . . It is much easier to talk to Dilke than to Granville, for he is less nervous, and also more clear-headed and frank.

Dilke's words agreed with Granville's about the feeling of friendship for Germany, which is making headway in English public opinion. He said: "There has never been antipathy in England against Germany. The only nation that inspires antipathy and indeed bitter feelings is Russia. This formerly reacted indirectly on Germany, when it was felt that Germany was closely allied with Russia and intended to stand by her. . . ."

Turning to France, he said: "They behave like children. (English in text.) They have no idea of politics and grope in the dark. . . . I am very much anti-French, for we have so many diverging interests. The French are at present very troublesome to us in Madagascar, but we cannot yet declare war on them on that account. They are trying to squeeze us in other parts as well, e.g., on the Niger and Congo they have made treaties with native chiefs (BISMARCK: "*You might let them have a corner.*") allowing Frenchmen a monopoly of trading rights. Also in the Pacific they have done much to hamper and irritate us. I hope that Gambetta will not return to power, for I fear that he will continue in great measure the niggling policy of pinpricks against us. Gambetta is no Chauvinist himself, but he makes use of it, as it gives him his pedestal. If he comes back, he will have to do something for Chauvinism, in order to maintain himself, and since Germany is too strong for him, he will rub up against us." (*Ibid.*, p. 162)

How strange it is for us to read this history which has been hidden about the man of "blood and iron!" What he did to make things easy for England in the Russian crisis has been dealt with in other works. He not only came to the assistance of Beaconsfield and Salisbury and saved them from an unnecessary war, but he refrained from interfering in the trouble that Great Britain and France stirred up in Egypt. Even Earl Granville and Sir William Harcourt, in the Liberal Government, were beholden to him for services rendered in the Egyptian trouble. Granville thanked him for the friendly attitude shown by Germany to England throughout the whole of the Egyptian crisis. And Sir William Harcourt told Count Herbert Bismarck:

We are uncommonly grateful to Prince Bismarck, for the friendly attitude of German policy this summer was of great service to us. Our being left with a free hand in Egypt we owe, when all is said, to Germany's goodwill. We are all aware that at a particular moment Prince Bismarck could have upset the coach if he had chosen to, and we realise with much thankfulness that he refrained from doing so.

Comment by The Emperor WILLIAM I: "We did not withdraw our ships out of goodwill, but in order to avoid becoming involved in any hostile action, and in order to leave England alone to bear the consequences of her faulty policy." (*Ibid.*, p. 168)

Good will or sheer convenience—the old Emperor saw no reason to fire a bullet to aid England in occupying Egypt! Still, it must be conceded that no matter what the German reasons were for keeping out of the broils of other nations during this period, her actions made a deep impression upon statesmen in England.

Even with regard to the colonial question, after Bismarck was won over to it, Herbert Bismarck reported to his father that he had had twenty minutes' conversation with Mr. Gladstone after a dinner at Rosebery's. The Liberal leader told him:

> Even if you had had no colonial aspirations, I should beseech you to go forward in this direction. I rejoice at your civilising aspirations, and at the next opportunity I shall advocate them in Parliament even more strongly than I did in Scotland last Autumn. (In Edinburgh on September 1st, 1884.) I promise you that we shall meet you in an entirely friendly spirit, provided that you do not mix other political questions with the Colonial question. (*Ibid.*, p. 192)

Lord Salisbury and Bismarck

WHEN GLADSTONE'S GOVERNMENT fell in 1885, Lord Salisbury became Prime Minister. Less than a month after he assumed power, he wrote to Bismarck:

> I have so lively a recollection of the kindness which Your Highness showed me in Berlin in the years 1876 and 1878, that I venture to take advantage of Baron von Plessen's journey to send these few lines to call myself to your remembrance.
>
> I have asked him to communicate to Your Highness my own convictions as to the future of English politics, which may aid you in forming a judgment, and which may perhaps tend to restore the good understanding between the two countries, which we value as of extreme importance, but which in recent times has been slightly clouded. I think you may reasonably count on a continuity of policy in this matter. (*Ibid.*, p. 208)

A week after the receipt of this communication, Bismarck replied:

> . . . It was a great pleasure to me to see by your own words that our former personal intercourse, which I am glad to renew, has left with either of us the same sympathetic recollection.
>
> As to politics, I have not the slightest doubt that the traditional friendly relations between the two dynasties as well as between the two nations will give sufficient security for settling every existing or arising question in a conciliatory way. . . . (*Ibid.*, pp. 208–9)

There are many pages in these documents about Egypt, the colonies, and the position of Austria which will be read with astonishment. The part played by Lord Randolph Churchill in these discordant affairs is almost

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unbelievable in its jejune notions of the conditions of Europe. Bismarck had to call him to order several times, and nicknamed him a "flat-catcher [Bauerfänger]." In a memorandum written by Count Herbert Bismarck, September 1886, we find the following:

> I now informed the Ambassador [Sir Edward Malet] confidentially of the contents of Count Hatzfeldt's latest private letter concerning a conversation with Lord Randolph Churchill, and added the remark that it was unfortunate for England that Churchill's views appeared to coincide so little with those of the Ambassador. When I reached the point of describing how Churchill had said to Count Hatzfeldt that England, in alliance with Austria, would be too weak to oppose Russia at any time, Sir Edward became very red and exclaimed: "I call that a policy of cowardice." (BISMARCK: *"The right expression."*) "Luckily," he added, "Lord Randolph has not the last word with us in foreign policy, and I know that Lord Salisbury's opinions are very different. Churchill is intimate with the Russophil Radicals, such as Labouchere and Chamberlain; he is much more revolutionary than Conservative and only joined the Conservatives because he saw that, owing to the absolute lack of capacity there, his best chance of success was in belonging to the Conservative Party. I have a very poor opinion of Lord Randolph and avoid him as much as I can. He has not the slightest understanding of foreign politics. . . ." (*Ibid.*, p. 256)

Only the space allotted to contributors in the old quarterlies would permit the writer adequately to cover the many important crises with which these documents deal. There is not a dull page in this extraordinary volume, and most of the information differs radically from the popular views, and controverts much that is recorded in the biographies of the English statesmen of that time. It is invaluable for the student who desires to be informed upon the nature of the diplomatic background of the vast changes wrought in Europe since the turn of the century.

The letter written in French by Bismarck to Lord Salisbury, on November 22, 1887, reviewing the condition of affairs in Europe and elsewhere, is indicative of the confidence which the Chancellor instilled in Lord Salisbury's mind and heart. Indeed, the letter was inspired by him. We are told he desired "a written statement from Prince Bismarck, to serve as a 'certain reassurance' that German policy would not even in the future be in direct contradiction to that settled by the Constantinople Memorandum."

As a straightforward revelation of the complicating factors in the policies of the powers, it is unparalleled in diplomatic literature. It is far too long to be translated here, but the student who does not read French should have no difficulty in finding someone who will give him an

English version of it. Distrust, suspicion, and the difficulties of parliamentary procedure in England were obstacles far too hazardous for British statesmen to surmount. The interests of Great Britain were not those of Germany, and the position of the new powerful State at the heart of Europe and the problems raised by her were not understood in England. The one was free to consider the European question in its entirety without the complication of protecting interests scattered all over the world. With England it was totally different. Europe was only one of a hundred problems that she had to consider. Nevertheless, both Salisbury and Bismarck realized that an understanding between the two was essential for keeping the peace. But it was not to be. Salisbury had to admit that he was beaten, and according to a dispatch from Count Herbert Bismarck, August 24, 1887, the British Prime Minister said:

> I am honestly grateful to Prince Bismarck for his sympathetic offer, but I am afraid that he is not aware of what our insular democracy really is. The exercise of England's sovereignty is now in the hands of the uneducated masses, which neither care for nor understand foreign politics. Our electors' chief interests is the satisfaction of every kind of unreasonable desire at home, and most of the Party leaders have just one selfish aim, which is to get into the Government as quickly and to stay there as long as possible. Lack of conviction and selfish opportunism have reached terrible proportions in our Parliament. This is why the British Empire is, to my deep regret, not able to make its voice heard in the Concert of Europe as strongly (BISMARCK: *'Correct.'*) as her position as a Great Power ought to make possible. I can do nothing at present to alter it. (BISMARCK: '?') (*Ibid.*, p. 320)

In 1887 Salisbury wrote to Bismarck about the prospective alignment of Italy and Austria with England and Germany. In this letter Salisbury thanks the German Chancellor for removing his apprehensions "by the great frankness with which you have exposed the true situation to me." The letter closes with this remarkable declaration:

> I believe that the understanding, into which England and the other two Powers are now prepared to enter, will be in complete accordance with her declared policy and will be loyally observed by her. The grouping of States, which has been the work of the last year will be an effective barrier against any possible aggression of Russia (BISMARCK: *"Especially if Turkey joins!"*) and the construction of it will not be among the least services which Your Serene Highness has rendered to the Cause of European peace. (*Ibid.*, p. 355)

The interjections of the German Chancellor scattered throughout the documents are amusing and illuminating. They punctuate the informa-

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tion sent to him in a way that reveals his immediate opinion of it. We gather from these witty shafts that fine phrases did not butter his aims, and they show clearly the divergent views of European affairs held by the chief agents of the powers, which baffled the wit and designs of the master-players of the diplomatic game.

Arbiter in the Peace of Europe

BISMARCK, ACTING in the interests of Germany—the great power that he had welded together—was the arbiter of the fate of Europe, and he had succeeded in keeping the powers from springing at one another's throats since the new Germany had come into being. This cannot be denied. He may be condemned for sheer selfish interest, but what of that? His policy paid well for over forty years and there was not a neighboring State that did not benefit from it.

Whether Bismarck or Disraeli was the first to suggest an alliance between Germany and England is not so important as the fact that such a consummation was devoutly desired by both. What has been called "craft" (and at other times "discernment") in Disraeli would be directed through the dense rivalries of the period toward an alliance with the strongest power. Trying to keep the balance of power by making an alliance with the second strongest one has never worked for the benefit of European States. Now that the story of it is told in the ruin and desolation of a continent—to say nothing of the rest of the world—one is forced to think of an alternative that might have kept the peace.

A word should be said for Disraeli as a political psychologist; he was highly gifted with the power of placing a value upon men's personal motives. His shrewdness and keen understanding of the promptings of self-aggrandizement working in the minds of politicians fortified the barriers of skepticism behind which he maneuvered with astonishing skill. He knew the difference between a diplomatist's personal ambition and the desire to serve the interests of his country. In the race for political recognition, the personal desires of the individual are not easily separated from the pursuance of the duties with which he has been entrusted by his government. Hence, the sad story of the work done in the chancelleries. Disraeli's political sagacity in estimating the forces for peace and war is revealed clearly in these pages.

The honest, industrious student of these affairs should spend at least a month in reading books easily obtainable in large public libraries and in those of the older universities. In connection with the proper under-

standing of the documents that we are now examining, I would also list Lord Edmund Fitzmaurice's "Life of Lord Granville," Monypenny's and Buckle's "The Life of Benjamin Disraeli," Morley's "Life of Gladstone," Pulling's "Life and Speeches of the Marquis of Salisbury"; and for an intimate biographical review of the German statesman, Moritz Busch's "Our Chancellor" and "Bismarck, Some Secret Pages of His History." Dr. Busch was in close touch with Bismarck for many years.

In these volumes the reader will find as complete a picture of European affairs from the time of the fall of Napoleon to the days of Queen Victoria's jubilee as is available anywhere. This is the background that is necessary for the student if he would comprehend the political conditions of European States and the causes which contributed to the terrible disasters that have befallen them in our days. A review of the works mentioned will enable the reader to check the import of the diplomatic documents and reveal to him the various viewpoints of the leading statesmen with whom Bismarck had to deal.

Let the reflective man, as he reads this volume of documents, sigh: "What might have been!" Futile though it be to indulge such thoughts, some who have not given deep study to the bewildering currents of the historical stream of disaster may imagine there might have been no World War I, no Treaty of Versailles, no Hitler, none of the political catastrophes that have followed one another swiftly in this generation, if Disraeli and Bismarck had succeeded in uniting Great Britain and Germany in an alliance for the peace of Europe.

Today this seems like a heresy. Although it is not yet forbidden to reflect upon the past, a careful study of the documents and biographies that I have mentioned above makes one think conditions might have been better than they are.

New York

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How Freely Can Income Flows Be Changed Under Socialism?

The Limits of Re-direction of Income Distribution In a Centrally-Controlled Economy

By THOMAS MAYER

SOCIALISTS, WHEN DISCUSSING the distribution of income in a controlled economy, generally concern themselves only with the problem of the optimum distribution and not with the question of the feasibility of different systems of distribution. This does not mean to say that the institutional aspect of the problem is ignored, for indeed different solutions for the *technical* problem of distribution are proposed at length by socialists. Yet they seem to assume that the whole problem consists of finding the proper authority to supervise the distribution and the best method of getting purchasing power into the hands of the people. This attitude assumes that there are no internal "laws" shaping the pattern of distribution and that this pattern can take any shape desired by the planners.

This assumption may be accepted, perhaps, because most writers on the subject are economists and therefore tend to ignore the extra-economic social pattern, believing that it will be shaped so that it will not interfere with the economic mechanism. To a large extent, this view is probably due to the influence of economic determinism, which leads people to believe that, once the economic mechanism is set up, the social pattern will fit into it. But this ignores the fact that both the social and the economic system are in a state of constantly interacting flux, and thus can be taken as determined by each other.

The following notes will be concerned with combating this idea, and with showing that the internal requirements of the distribution pattern severely limit the number of feasible patterns of distributions. The inquiry is along the borderland of economics and sociology, for while the subject matter is usually considered a part of economics, the methodology is partially economic and partially sociological.

I

THE PROBLEM which has so far been ignored is the stability of a distribution system. For any distribution system to be stable there has to be what might be called an "anti-grab mechanism," *i.e.* a mechanism that prevents

the income distribution being upset by any one group of society obtaining more of the national income than was originally planned when the social system was set up. How would it be possible for any group to obtain such an advantage? The most obvious way seems to be either to change the ruling ideology or to change the income distribution in such a slow and imperceptible fashion that people will not be aware of it. These two methods tend to complement one another for if an income distribution is changed in favor of one group, the increased income of that group will in time be looked upon as its right and prerogative (*i.e.*, the ideology will have changed so as to rationalize this change in incomes). The problem seems to lie in seeing what types of distributions can withstand the slow but steady pressure of specific pressure groups.

At this point some socialists might object that under socialism there would be no pressure groups. This belief is usually based on either of two assumptions. Either it is held that pressure groups are the result of class conflict only, and will therefore not exist in a socialist economy from which "capitalist" and "bourgeois" holdovers have disappeared, or it is believed that the whole pattern of acquisitiveness would disappear under socialism.

The former argument can be answered by pointing out that under socialism there would also be different groups and that it would be in the interest of each group to obtain more than its share. The real question here is whether these groups can form under socialism. The orthodox Marxist answer is that this is impossible, for class formation (and these groups are essentially different classes) is determined by the relationship of the classes to the means of production. This does not seem an adequate explanation, however, for if we define classes as groups of people united by a specific ideology, which is the result of their social relationships and work situations, then surely class formation depends primarily upon the presence of these two factors, rather than on anything like exploitation. It is only by the above definition that class formation is relevant for this problem, for if classes as defined above do form, then there will also be formed different ideologies and consequently different views on the optimum distribution, and thus the problem under discussion will arise.

Regarding the second argument, the disappearance of acquisitiveness, very little can be said. We do not yet know enough about cultural dynamics to be able to predict the course, or even to analyze the constituents, of this impulse, though we know from the researches of Sombart, Margaret

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Mead and others that it certainly is not to be found in all societies. It does not seem likely, however, that it will disappear within a short time, and, therefore, it does not seem advisable for a socialist society to gamble on its disappearance without having ready a plan for a distribution system which would work even in the presence of that impulse.

The disappearance of acquisitiveness must not be confused with the disappearance of monetary acquisitiveness. As Veblen has shown, the desire for wealth results largely from its use as an esteem symbol; if anything else, say insignia of rank, were to usurp this function, then acquisitiveness would largely be directed toward this object, rather than towards money. The problem discussed in this paper would then arise about the distribution of this symbol. (There would be one main advantage to this state of affairs, namely, the distribution of esteem would not interfere with the optimum distribution of income, which could then be distributed equally, with perhaps no adverse affects on incentives.)

The problem here discussed is, however, not only concerned with the possibility of reaching an optimum distribution of income under socialism, but also with the possibility of reaching a stable income distribution which will not lead to serious social unrest. On the other hand there is the problem of preventing any group from "exploiting" the others, but on the other hand there is also the problem of preventing each group from trying to do this at the same time. Most of the literature on this problem (as for instance James Burnham's "Managerial Revolution") has concerned itself with the problem of the ruling class exploiting the other people, but it seems that this problem is broader. It is also possible for other groups, which wield certain powers, to be exploitative. Thus, in the short run, a managerial ruling class might have to share its good fortune with some of the unions, for instance. Eventually the ruling class might triumph, but in the short run many different groups would attempt to increase their income.

In so far as these groups attempt to increase their money incomes they would raise the price level and thus start an inflationary movement which would add impetus to the demands of other groups, and greatly harm the efficiency of the economy, as well as create social discontent on the part of the less powerful groups. This struggle might even turn out to be more dangerous than the exploitation by the ruling class. To the extent that socialists deny the existence of a ruling class (defined here as a group whose ideology rules), they will have to assume an approximate equality

of power between at least several groups. In that case the latter of these two problems will be of greater importance.

Let us look at the various groups in a socialist economy who might actively be involved in such a struggle. Firstly, we have the managerial group whose accession to power has often been forecast. We must distinguish here between long term and short term conditions. Most of the arguments prophesying their rise to power are based on long run considerations, whereas for, say, the first fifty years, they would not be in power. It is during this time that such a struggle would take place. Indeed their ascent to power might furnish the *casus belli.* It might be that the labor unions would be in the forefront of this struggle. Whether they unite with the managers depends, of course, on the degree of democracy within the unions. This is something that cannot be foretold so easily, for the degree of democracy in the unions depends largely on the desire for self-expression of the members, which in turn depends on the amount of frustrations imposed by the rest of the social system, and our knowledge of that is rather poor. Consequently it might be best to avoid making any forecast about this.

Irrespective of the above, there still remains the question whether the unions themselves would not seize a "disproportionate" share of the national income. (This term is not meant to express a value judgment.) It might be objected that this is not a great danger, for the unions are the "people." This argument ignores, however, that while the unions might contain a great majority of the workers, it is each individual union that obtains wage increases (or shortened hours, etc.) and consequently (if prices rise) the other unions lose rather than gain. The argument above is one which would most likely help the unions to a large extent. Under capitalism the belief that individual and social benefits almost inevitably coincide grew very powerful, and has been taken over by the socialists as far as it applies to unions. When applied like this to groups, this proposition loses, of course, its basis, the "invisible hand" of competition. This fact is likely to cause great trouble for socialism. Unions would probably attempt to keep the old system of collective bargaining. Thus unions in industries having a low elasticity of demand would be able to exploit those in unions whose products have a high elasticity. For this to continue in the long run, entry into the former, of course, would have to be restricted.

Other groups which might be exploitative can also form. Thus it is

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quite possible for a combination of labor and management to coalesce in a particular industry or a group of industries. This would be done not so much by raising wages, which the central control body could perhaps prevent, but rather by lowering the intensity of work.

Let us now see how other social systems prevent the troubles here described. Under capitalism of the pure sort it is prevented mainly by economic "laws." The decision-making locus is not the group, but rather the individual; and he is merely a quantity adjuster who cannot raise his remuneration per unit of output. Socialists often argue that the laws of capitalism are cruel and unjust because by their ruthless nature they fail to take care of individual exceptions. This ruthlessness, however, is precisely the quality which makes for stability, and a considerable degree of stability is necessary. For in any stable social system, each group considers itself the exception, and is likely to apply strong pressure to have its claim recognized. Under conditions of present-day mixed capitalism, the basic mechanism ensuring this stability, namely laissez-faire and atomistic competition, have been substantially weakened. The fact that the laws of imperfect competition replaced those of perfect competition is not of great significance here, for although under conditions of closed entry it does give excess profit, it does not lead to any instability in the income structure. In the first case, there is a definite limit (which is usually reached early) to the degree of exploitation possible in this way. The fact that this possibility of exploitation is open to only a small group of the population not only prevents it from spreading, but also makes the percentage of the total income involved so small that the other groups are not likely to be goaded into action by it. Moreover, and this is more important, the government is used by pressure groups to increase their incomes. This extra-economic factor negates the limitation of some economic "laws" and does tend to develop into a cumulative movement, for the larger the number of people whose prices are guaranteed, the greater, probably, is the loss of real income of those whose prices fluctuate. This factor also enters, of course, into the effects of business concentration. The existence of this factor is very dangerous to democracy too, as has often been pointed out. Another unstabilizing factor are unions; and the way they unstabilize the income structure is obvious.

II

WE ARE NOW in a position to see how different schemes of socialism deal or

fail to deal with this problem. First, a few general observations are necessary. If socialism fosters belief in equality of opportunity and at the same time maintains an esteem system in which worldly success (as opposed to goodness, etc.) is important, then this would probably create a decrease in the acquisitiveness drive. Otherwise those who are not very successful (*i.e.* the vast majority) would be deprived of one of the most effective methods of keeping up self-esteem in spite of comparative failure, the ability to put the blame on the inadequacy of opportunity.

This might turn out to be a very powerful factor. The effects of the belief in the unity of group and social benefits have already been discussed. The fact that socialists disparage the capitalistic belief that it is better to increase the cake than to worry about the way it is distributed will also tend to increase the severity of this problem. True, the socialists might argue that this disparagement would not continue under socialism. But once an attitude has been planted into the public mind it is difficult to erase it. This has been shown by some aspects of the recent labor trouble in England.

Furthermore, the abolition of capitalism is likely to be accompanied by a belief that the living standard will be raised by political action. When this fails to materialize (as seems inevitable, for propaganda will have raised people's hopes far above anything achievable in the short run), the feeling that certain groups are cheating one's group of the fruits of victory will be strong. To this must be added the fact that such a transition creates a certain emotional restlessness. Now one of the reasons why people are satisfied with a certain wage seems to be sheer inertia. People to some extent acquire an idea of how much their services are worth rather early in life, and then they are satisfied with a wage roughly corresponding to it with a certain small annual increase. Socialist propaganda is likely to reduce this inertia by promising a great increase in wages, and by this method it will upset one of the most important mechanisms that keeps the income structure stable.

While a vast amount of work still has to be done until anything resembling definite knowledge about this problem can be obtained, a few tentative estimates can now be made as to how different schemes of socialism would be affected by this. To start with, let us consider a system of complete income equality. Such a system would meet our criteria of (short run) stability. If any group in the community tried to obtain more than its share of income, this fact would easily be noticed, and

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strong pressure could be brought to bear on that group. Consequently a group could increase its income only by either a long run process of changing the ideology away from equality (which is outside the scope of this paper) or by openly opposing the ruling ideology by naked force, which probably could be suppressed fairly easily. There is however another criterion which such a system might not meet. Not only must the income distribution have an "alarm signal" but the distribution of work must have a similar mechanism, or else each group will try to exploit the others (under the guise of obtaining their "fair" and ideologically-sanctioned share) by shortening the hours and bettering their conditions of work. To distribute the burden of the unpleasant work equally among all citizens (perhaps by industrial conscription) would avoid this difficulty, as would a system under which a free labor market would be allowed by way of supply and demand to balance the unpleasantness of certain types of work against the shorter hours prevailing in it.

A system of "to each according to his ability" would also have to have a free labor market in order to be stable, for the concept of ability is open to partisan interpretation and does not provide an alarm signal. Such a free labor maket would have to be one in which there are no unions, for otherwise they could force up the price of labor or one from which unions were thrown out of work by a wage increase. It is doubtful whether a socialist society could destroy the unions so completely as to make this free market possible, but if it does not it cannot meet our criterion. A system of "to each according to his needs" would obviously not meet the test either.

A combination of several of the above methods of distribution would also not meet our criterion. For as long as there is one "loose" section of the income distribution, it can be used by different groups as a lever for increasing their incomes. The setting up of a police State might avoid a cumulative exploitation movement, but only at the cost of giving full reign to the exploitativeness of the ruling (police-controlling) class, and of course at the cost of almost everything most socialists hold dear.

Guild Socialism does not meet our criterion at all. For again, what is to prevent the people in the inelastic industries from exploiting those in the more elastic ones?

According to the theories of some economists, this problem would not appear because each group could be (partially) paid according to its marginal productivity. This marginal productivity would be determined

by a free market. This does not seem to be a suitable answer, however, for the conditions of production which determine marginal productivity are not out of the reach of pressure groups. There would be some, if only a very few areas (such as the degree of capital accumulation, the production of harmful commodities, regulation of the hours of work of minors, etc.) where the State would in any case interfere with the free market. Each pressure group would attempt to manipulate in its favor the policy within this area. This would probably lead to a very severe limitation of the free market area. Thus the production aspect of the socialist scheme, far from solving the problems of the distribution aspect is likely to be upset by it.

The fact that it would be advantageous for the society as a whole to keep a free market does not mean that it could be kept. After all, most economists agree that free trade is advantageous under capitalism and yet protectionism rules in practice. Socialists might dispute the validity of this analogy on the grounds that there would be a greater political consciousness among the people than under capitalism which would limit these pressure groups. Against this consideration the following can be urged: In the first place, this social consciousness lends itself to exploitation by the clever use of propaganda by the pressure groups which could appeal to people on the basis of emotional arguments (such as the effect of their work on their health, the "fact" that their children are starving, etc.). This sort of propaganda is much more likely to convince the average socially-minded man, by appealing to his sympathy, than the government's intellectualized arguments in favor of a free market. Secondly, the great ideological barrier separating the economic from the political can hardly be as strong under socialism as under capitalism.

III

WHAT ARE THE implications of the above? While nothing resembling adequate knowledge for any forecasts is available to me, I think the following factors are of significance: The struggle for increased income can end by the outright immediate victory of the ruling class, and the exploitation of the rest of society by it. What is more likely, however, is a continuous struggle, at first with one group slowly establishing its hegemony. It is questionable whether the society would not change radically in an unforeseen direction owing to this struggle, before one group becomes dominant. Such a struggle would not only put a strain on democracy which

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is likely to destroy it, but would also greatly reduce the possibility of the rational, efficient planning of production. Only if a socialist society is able to break up powerful groups, or if it is able to find another method of noticing immediately and unequivocally the attempt by any one group to obtain more than the planners allocated to it originally, can such a society be stable, democratic, and free of exploitation. (This of course must not be taken to prejudice the fact that there are other factors which are likely to prevent the achievement of these goals.)

To many socialists these considerations must have seemed like pure heresy, for would not socialist distribution be guided by justice? This paper, however, tries to answer precisely this question, and tries to show that there can be no "justice" if each group is in a position to determine for itself what "justice" is. No man can be a judge in his own cause.

The view that our concept of justice is so vague a guide that it cannot serve as the basis of a "consciously planned" distribution of income forms, of course, one of the bases of Friedrich A. Hayek's argument that socialism and democracy are incompatible. The analysis has tried to lay bare several of the factors involved. It does not pretend to cover more than a very small aspect of this problem, and it tries to show a line of approach to it rather than lay down a hard and fast solution of it.

New York

The Purchase of Manhattan

ACTUAL RECORD EXISTS that Peter Schagen of Amsterdam did purchase Manhattan Island from the Indians in 1626 for 60 guilder, now assumed to have been worth about $24. The real estate value of the island has jumped 200 million times in the last 323 years. At the time of the purchase New York City's midtown area was occupied by a scrub forest abounding in snakes and wolves, but there was tillable land at the northern end of the island. About 30 families lived on the southern tip of Manhattan in 1626. Peter Schagen merely happened to mention purchase of the island in passing when writing the Dutch States-General, meeting at The Hague, about many other matters which he regarded as far more important.

T. SWANN HARDING

USDA,
Washington

Stalin's Perversion of Land Reform

IT IS A SINGULAR THING that, in spite of the failure of Joseph Stalin's program of land reform, not only to serve the interest of the Russian peasant, but that of the Russian nation, it has been imitated in Eastern Europe and elsewhere. Yet the explanation is singularly simple: it is the best system yet devised for the exploitation of the peasant class by a ruling class.

Stalin's analysis of the agricultural problem was as naive as the genetical ideas of his protege, T. D. Lysenko. Agriculture, Stalin told the central committee of the Russian Communist party some twenty years ago, "continues to employ the old equipment, the old methods of tillage practised by our forefathers, the old, primitive, now useless, or nearly useless technique, the old, small-peasant, individual forms of farming and labor. Think of it! Before the revolution there were nearly 16,000,000 households, and now there are no less than 25,000,000! What does this indicate if not that agriculture is assuming a more and more scattered, fragmentary character?"

The program Stalin outlined to "remedy" the situation as he saw it was the one forced upon the Russian peasants: "We must begin thoroughly to re-equip agriculture on the basis of modern technique. But in order to re-equip it we must gradually amalgamate the scattered peasant farms into large farms, into collective farms; we must build up agriculture on the basis of collective labor, we must enlarge the collective farms, we must develop the old and new State farms, we must systematically employ the contract system on a mass scale in all the principal branches of agriculture, we must develop the system of machine and tractor stations which help the peasant to assimilate the new technique and to collectivize labor —in a word, we must gradually transfer the small peasant farms to the basis of large-scale collective production. . . ."

The result? Despite mechanization and improved technique, the productivity of labor dropped lower and lower. Despite amalgamation of holdings on an unprecedented scale, the Soviet Union is one of the few countries where more than half the population gets more than half its subsistence from the most primitive type of dwarf holdings. Even the rise in marketed output is relatively slight. By its own criteria, the Stalinist "remedy" proved to be a witch-doctor's brew.

W.L.

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Individualism and Economic Theory

By WALTER A. WEISSKOPF

ECONOMICS, ONE OF THE OLDEST of the social sciences, is in need of reconstruction. However, in spite of the dissatisfaction with economic thought, there are few attempts toward laying new foundations. The reason for this may be the lack of a basic insight into the meaning of economic thought; therapy is impossible without proper diagnosis. Rationalistic and positivistic thought interprets scientific truth as some kind of conformity between conceptual schemes and reality. Truth is considered as the sole aim of economic science. However desirable it may be to create such an economic science, the reality of economics shows a different picture.

Our culture is distinguished by its emphasis, perhaps overemphasis, on economic activity. Production of goods and acquisition of wealth is not considered as an onerous necessity but as the main purpose of life. Economics moved into the center of thought. Functions which were fulfilled in other societies by mythology, religion and philosophy are, often unconsciously, performed by economic thought. Economics became a substitute for metaphysics and philosophy. One cannot understand the meaning of certain concepts of economic analysis without considering that thought in general performs a function beyond the mere scientific one of explanation and beyond the technological one of controlling reality. Man is subject to the conflicts created by his civilization.

Systems of thought, philosophies and social ideologies perform the function of harmonizing tension-creating conflicts[1] and thereby enable man to bear the burden of existence. Because of the emphasis on economic activity in modern civilization, this function is largely fulfilled by economic thought. Economics has formulated the human ideal of industrial civilization.[2] It has projected this ideal into nature and into the universe. Through its rationalistic and utilitarian assumptions and through its theoretical constructs it has molded human and social reality into the shape needed by an industrial society. Complete understanding of the meaning of economic thought is impossible if one neglects its covert, unconscious attempts to harmonize the conflicts created by industrial civilization.

I

THERE IS HARDLY any idea more deeply rooted in modern thought than the

[1] E. Fromm, "Man for Himself," New York, Rinehart & Co., 1947, Ch. III.
[2] This term will be used instead of the propagandistically corrupted term "capitalism".

belief in the individualistic character of our civilization. This individualism, however, is onesided because it tends to develop only certain aspects of the human personality while repressing others. It permits only the development of those human faculties which correspond to the rationalistic and acquisitive ideal of industrial society. The uniqueness, the spontaneity and the freedom of the total personality is hampered in its development. A conflict between the "real self" and the "social self," imposed by industrial society, is inherent in our culture.[3] The opposition against "capitalism" and the dissatisfaction with economic thought have both their roots in this basic conflict. Economic theory has developed the basic tenets of economic "individualism" in its models of the free competitive enterprise system; but far from being exclusively individualistic it has in many respects tried, unconsciously, to eliminate the individual from its world outlook. Thereby it reflects the anti-individualistic aspects of modern culture.

The origin of western culture was accompanied by the discovery of the individual in the European Renaissance and Reformation.[4] This period was dominated by the dynamic ideas of individualism, manifest in Machiavellian politics, in the art of the Italian Renaissance, in the plays of Marlowe and Shakespeare.[5] A new and previously unknown interest in the human personality arose. The Italian poet Petrarch glorified it for the first time. Thus, modern civilization was born under the star of an individualism which encompassed the totality of human nature. But this meteor-like emergence of individualism came to an end through the rise of industrial civilization. It is one of the tragic aspects of modern history that man discovered himself only to lose the fruits of his discovery; as soon as the individual was liberated from the fetters of medieval restrictions he had to lose his autonomy in the "iron cage" of modern industrialism.[6] The original individualism of the Renaissance was distorted into industrial individualism which permits the self-realization of the individual only in the field of economic activity and within the framework of the industrial organization of modern society. Industrial society channeled the energies of the individual in the direction of economic success and material gains as ends in themselves. The crippling of individualism by the acquisitive ideal was accompanied by the suppression of the self-realization of the person-

[3] E. Fromm, "Escape from Freedom," New York, Farrar and Rinehart, 1941, p. 116*ff*.

[4] J. Burkhardt, "The Civilization of the Renaissance in Italy," New York, Macmillan, 1921.

[5] W. Dilthey, *Weltanschauung und Analyse des Menschen im 15. und 16. Jahrhundert*, Leipzig, 1929, p. 16*ff*.

[6] Max Weber, "The Protestant Ethic and the Spirit of Capitalism," New York, Charles Scribner's Sons and Greenberg Publ., p. 180.

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ality in other spheres of human life like sex, enjoyment of the senses and suprarational ideals. This situation has been vividly described by Erich Fromm:

In modern society man has become the center and purpose of all activity . . . what he does he does for himself, the principle of self-interest and egotism are all powerful motivations of human activity. . . . Yet much of what seemed to him to be *his* purpose was not his, if we mean by "him" not "the worker," "the manufacturer," but the concrete human being with all his emotional, intellectual and sensuous potentialities.[7] . . . In capitalism economic activity, success, material gains, become ends in themselves. It becomes man's fate to contribute to the growth of the economic system, to amass capital, not for the purposes of his own happiness or salvation, but as an end in itself. Man becomes a cog in the vast economic machine . . . a cog to serve a purpose outside of himself.[8]

Thus the individualism of modern man consists of his freedom to conform to the culturally determined ideal of the economic man. This ideal is characterized by the duty to work, to accumulate capital. The duty of "earning of more and more money combined with the strict avoidance of all spontaneous enjoyment of life,"[9] and of continuous exertion in the service of economic production.

Max Weber has shown that the idea of a duty of the individual toward the increase of his capital represented a peculiar ethic, and cannot be regarded as a basic instinct of human nature. The spirit of modern capitalism

. . . takes on the character of an ethically colored maxim for the conduct of life. Although this ideal is colored with utilitarianism, something more than mere garnishing for purely egocentric motives is involved. . . . Man is dominated by the making of money, by acquisition as the ultimate purpose in his life. Economic acquisition is no longer subordinated to man as a means for the satisfaction of his material needs. . . . It is thought of so purely as an end in itself that from the point of view of the happiness of, or the utility to, the single individual, it appears entirely transcendental and absolutely irrational.[10]

This mode of conduct required from the individual living in our industrial society is not a "natural" outcome of his needs and desires. It is an attitude which runs counter to some basic human inclinations. Once established, of course, the hard necessities of economic survival enforced the

[7] Fromm, "Escape from Freedom," p. 109.
[8] *Ibid*, p. 110.
[9] Max Weber, *op. cit.*, p. 52.
[10] Max Weber, *loc. cit.*, and "General Economic History," New York, Scribners & Greenberg Pub., Ch. XXX.

adaptation of people to this then unavoidable mode of life. At its inception, however, it met with fierce resistance and with the most intense ethical disapproval because it was contrary to all ethical notions entertained in ancient times and during the Middle Ages.[11] But this resistance against the capitalist attitude is not only a matter of the past. It was always present as a subconscious undercurrent and provided the motivation for the opposition against the system. The dissatisfaction with the type of man that the industrial system requires is one of the main causes of discomfort in our civilization.

It is often assumed that the basic conflict of our time is the one between socialism or communism on the one hand and free enterprise capitalism on the other. Yet both systems require that the individual devote himself to the aims of material production. Work for the sake of capital accumulation is the goal under communism as well as under capitalism. The legal difference between working for public and working for private capital accumulation is psychologically much less important than usually assumed. For the individual who earns his living as a dependent employee—and this is the fate of the large majority of the people today—it matters little whether he works under the command of public or of corporate bureaucracy. In both systems the individual is pressed into an economic matrix and becomes a part of a large economic and social organization, a cog in the process of production. Thus, a conflict arises between the deep-seated tendencies of the individual to be really free, to realize all of his potentialities, to live a full life, to be a complete and real person—and the procrustean forces of modern industrial society, capitalist and communist alike.

II

CERTAIN ASPECTS OF ECONOMIC THEORY cannot be understood without this psycho-cultural background. The tendency of industrial civilization to eliminate the individual in its totality and to press it into the matrix of acquisitive ideals is reflected in economic theory. It tries to facilitate life under such a system by creating models of economic reality from which these conflicting features are absent in order to harmonize in thought the conflicts between an individualistic philosophy and a "collectivistic" social reality. Economic theory is one of the intellectual instruments which enable modern man to live within his culture. In the following we shall discuss certain economic concepts in which these trends are most obvious:

[11] See Max Weber, *op. cit.*, p. 56.

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the quantifying and mechanistic approach to economic phenomena, the rôle ascribed to the individual in the models of pure competition and the postulates of rationality and omniscience.

Quantifying and Mechanistic Method. Any attempt to prove that economic theory has taken its cue from the physical and mathematical sciences seems superfluous. To a rationalistic age the natural sciences and mathematics appeared as the only way to intellectual certainty. "Descartes, the fountain source of modern culture, manages to conceive of man purely in terms of thought, nature in terms of mechanics and to find no organic unity between the two. . . ."[12] Economics, a typical manifestation of modern civilization, forms a bridge between the two by combining a rationalistic view of man with a mathematical and mechanical interpretation of his actions. Thus, a peculiar mixture of rationalism and mechanistic naturalism results in the elimination of the individual in its totality from the intellectual constructs of economics.

The mechanical interpretation of nature and society developed in the seventeenth and eighteenth centuries together with the technology of manufacturing of early capitalism which was based almost entirely on mechanics.[13] The method of production and the method of thought showed similar characteristics. The mathematical and mechanical approach to natural and human phenomena eliminates qualitative differences. Already in the seventeenth century the natural sciences were at a loss to tackle the problem of change of qualities into each other. Mechanics and mathematics are concerned with homogeneous quantities.[14] If quantitative methods are applied to human, especially economic behavior, the uniqueness of the human individual in its totality is eliminated in thought. By interpreting human nature and action according to the rules of mechanics and mathematics, the individual in his freedom, uniqueness, and autonomy is removed from the sphere of economic and social phenomena.

This intellectual tendency reflects the cultural development of the period. The seventeenth and eighteenth centuries experienced the change from the unconditional individualism of the Renaissance to the economic individualism of industrial society. The individual was on the way to becoming a cog in the machine of production. Thus the total individual had to be eliminated also in socio-economic thought.

[12] R. Niebuhr, "Nature and Destiny of Man," New York, 1947, Vol. I, p. 20.

[13] For this and the following see: F. Borkenau, *Der Uebergang vom Feldalen zum Buergerlichen Weltbild*, Paris, 1934, Ch. I.

[14] In respect to mathematics see, Boulding, "The Role of Mathematics in Economics," *Journal of Political Economy*, Vol. 56, No. 3 (June 1948), p. 188.

This process is quite obvious in the approach of the classicists and of Marx to labor. The qualitative differences in human creativeness are of a heterogeneous nature due to the uniqueness of the human personality. They do not fit into the mechanistic and quantified world outlook of the period of rising capitalism. Thus, the qualitative differences between skilled and unskilled labor had to be obliterated and reduced to quantitative differences. Skilled labor was measured in terms of unskilled labor time.[15] This interpretation parallels the changes in the methods of production and the change in attitudes. "The development from the medieval type of work to the modern methods of manufacturing consisted in replacing the qualitatively distinguished, traditionally regulated, often artistically refined type of labor by the quantification of labor and its dissection into simple movements in order to accomplish precision and speed."[16] This made calculability of costs possible.

The abstraction from qualitative differences and from the uniqueness of things and individuals took place in production and in social and natural philosophy at the same time. Descartes and Hobbes tried to prove that all natural processes can be explained mathematically and mechanistically. All qualitative differences were reduced to quantitative ones. Our sensory experiences which show us qualitative differences between things had to be interpreted as having no objective reality. Hence the nominalistic character of modern science.[17]

Natural and social science and philosophy perform in this case a psychological function by projecting the social and economic conditions into nature. Society and the cosmos are interpreted as conforming to the methods of production and the value-attitude systems of the existing civilization. The social and economic order is represented as being rooted in the nature of things. It is important to notice that there was no direct purposive interconnection between the natural sciences and the methods of early manufacturing in the seventeenth century.[18]

Both, the sciences and manufacturing techniques, can be interpreted as emanations of the basic attitudes of the times. They reflect each other; their relationship is not one of sub- and superstructure. The whole cul-

[15] Ricardo, "Principles," Everyman's Library, Ch. I, Sect. II, p. 11*ff*. Marx "Capital," Modern Library, Vol. 1, Bk. 1, Ch. I, Sec. II, p. 51: "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour."

[16] Borkenau, *op. cit.*, p. 7 (translation mine).

[17] *Ibid.*, 10*ff*.

[18] *Ibid.*, p. 5.

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tural trend leads to the same result: to eliminate the uniqueness, the totality, the spontaneity of the human personality. This is accomplished by the following common traits of thought and of social institutions: a) abstraction from qualitative differences; b) reducing all magnitudes, natural as well as social, to quantitative terms, thus; c) making interrelations between things and human beings calculable; d) representation of natural and social processes in quantified mechanical terms thereby eliminating spontaneous individual action from the thought constructs of nature and society; e) atomization of the universe and of the social world as a necessary concomitant of a quantified and mechanized outlook.[19]

This is the heritage which economics took over from the early period of industrial development and which it has never forsaken. Economists have never abandoned the idea that their science has to be patterned after the model of mechanistic physics in spite of the fact that modern physics has moved away from the mechanistic approach.[20] Economic literature abounds with analogies and comparisons drawn from astronomy, physics and mechanics.[21] "In pure mechanics we explore the implications of the existence of certain given properties of bodies. In pure economics we examine the implications of the existence of scarce means with alternative uses."[22] "It is the nature of every change in the universe known to science to have 'final' results under any given conditions. . . . Every movement in the world is, as can be clearly seen to be, a progress toward an equilibrium. Water seeks its *level*, air moves toward an equality of *pressure*, electricity towards a uniform *potential*, radiation towards a uniform temperature, etc."[23] These are manifestations of a naturalism which compares human beings and human action to non-human phenomena, thereby denying the spiritual and intellectual uniqueness of the individual, his spontaneity and his freedom.

The way in which equilibrium is supposedly established is described by economic theory in analogy to mechanical processes. Equilibrium is the result of quantified mechanical forces. The whole theory of maximiza-

[19] Cf. A. N. Whitehead, "Science and the Modern World," New York, Pelican Mentor Books, 1948, ch. III.

[20] A. Loewe, "Review of Sombart's, Die Drei Nationaloekonomien," in *Weltwirtschaftliches Archiv*, Vol. 36 (1937), p. 149*ff*. A. N. Whitehead, *op. cit.*

[21] Sombart has piled up a considerable number of quotations to prove this point, see, *Die Drei Nationaloekonomien*, Leipzig, 1930, p. 122*ff*.

[22] L. Robbins, "The Nature and Significance of Economic Science," London, Macmillan, 2d ed., 1938, p. 83.

[23] F. H. Knight, "Risk, Uncertainty and Profit," New York, 1921, p. 17.

tion[24] represents a mechanical and quantitative framework for a supposedly psychological approach to economic conduct. The individual, assumed to be perfectly conscious and rational, balances opposing psychological forces in a mechanical fashion. The intersection of marginal curves establishes a point of equilibrium as two opposing forces bring about a result in mechanics. No sphere is left for the freedom and the spontaneity of the human personality, eliminated in thought by the mechanical interpretation of individual economic action and the distintegration of human relationships into quantitative functions. Quantities of money and goods, even of human labor, are moving and changing in automatic and mechanical response to the change in other quantities according to the laws of mathematics and in analogy to the laws of mechanics. The whole economic cosmos is represented as a mechanical and quantified system of weights, levers and pulleys where every motion causes a change in the position of every magnitude.

The hidden meaning of this method is very well indicated in a passage from Pareto:

> Thanks to the use of mathematics . . . this theory rests only on one fact based on experience, that is on the determination of the quantities of goods which constitute indifferent combinations for the individual. The theory of economics acquires in this way the rigidity of *rational mechanics*. It deducts its results from experience without any intervention of metaphysical entities (like utility, ophelimity). . . . *The individual can vanish from the scene.*[25]

With the triumphant cry, *l'individu peut disparaitre,* Pareto reveals the unconscious tendency of economy theory: to eliminate the individual from its models of the economy. This is partly a reflection of the collectivistic trend in our civilization and partly a reaction to the plight and the tensions to which the liberated individual is subjected in our society. Through its mathematical and mechanistic approach, economic theory performs a socio-psychological function. By representing the economy in such a light that spontaneous and free individual action and decision seem to be

[24] We are concerned here with an examination of the socio-cultural background of certain concepts of economic theory. There are many straws in the wind that the theory of maximization is tottering in its foundations and that economists are abandoning the mechanistic approach in favor of one which takes into consideration psychological and social realities. *Cf.* Boulding, *op. cit.*, p. 194*ff*. and also the discussion on the marginal productivity theory in *American Economic Review*, March 1946, p. 63; June 1946, p. 358*ff*; Sept. 1946, p. 519*ff*; March 1947, p. 135*ff*; June 1947, p. 375*ff*; Sept. 1947, p. 552*ff*; p. 645*ff*; *Quarterly Journal of Economics*, Feb. 1945, p. 280; *Journal of Political Economy*, Oct. 1947, p. 450*ff*.

[25] *Manuel d'Economie Politique*, III. p. 36, 51, quoted from Sombart, *op. cit.* p. 135, translation and italics mine.

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superfluous and hopeless and contrary to the nature of things, it relieves man of the burden of acting against the commands of industrial society. It facilitates life in this society by representing it as inevitable. It removes the burden of freedom by showing that man does not have any freedom in the existing economic system. If man is forced to act by mathematically and mechanically working laws which operate independent of his own individual decision he is relieved of the burden of freedom and of its concomitants, isolation and aloneness. Thus, economic theory is a true reflection of the trend of our civilization. The isolation of the individual in industrial society is removed; he is shown as integrated into a mechanistic and quantified system. He becomes a figure, a cog, a part of a mechanism and he is made to believe that he can safely live in integration within an impersonal, calculable, social machine.

The Individual under Pure Competition. The powerlessness and insignificance of the individual in modern economic society is also reflected in the rôle assigned to it in the models of pure competition. If one reads the definitions of pure competition with an ear for the psychological undertones, one will find there a correct description of the situation of the individual in a competitive economy.

Each economic unit (household or firm) is so small relative to the market that it exerts *no perceptible influence* on the prices of the things it buys and sells.[26]

Perfect competition prevails when the demand for the output of each producer is perfectly elastic. This entails first, that the number of sellers is large, so that the output of any one seller is *a negligibly small proportion* of the total output of the commodity.[27]

Pure competition has already been defined as involving (1) a relatively large number of buyers and sellers, (2) a perfectly standardized product. The first diminishes the influence of any one in the general market situation to *negligibility;* the second, by identifying completely the product of a single seller with those of his competitors, *diminishing any measure of control over his own price as distinct from the general market price* which control might exist by reason of buyers preferences for one variety of goods over another.[28]

The Paretian Type I behavior where the individuals "accept the market prices as they are, and do not try to modify them directly,"[29] adopted in

[26] Stigler, "The Theory of Competitive Price," New York, 1942, p. 21.

[27] Joan Robinson, "The Economics of Imperfect Competition," London, 1938, p. 18.

[28] E. H. Chamberlin, "The Theory of Monopolistic Competition," Cambridge, 1942, p. 16. (All italics mine).

[29] V. Pareto, *Economie Mathématique*, Encyclopédie des Sciences Mathématiques (Paris 1911) tome I, Vol. IV, p. 623, quoted from Triffin, "Monopolistic Competition and General Equilibrium Theory," Cambridge, 1940, p. 55.

these definitions, stresses the negligibility, the smallness, the insignificance of the individual in a free competitive market. The individual market participants cannot influence the market conditions by their own actions if they act as individuals. Prices have to be accepted, they are mere parameters of action. The demand curve is perfectly elastic and horizontal. Behind this abstract and precise sounding formula of the horizontal demand curve a whole world outlook is concealed.

It means that the individual in industrial society cannot control his economic fate, that he has to accept it, that he is nothing but an insignificant grain of sand, one among millions, exposed to the vicissitudes of market fluctuations. His hopes and his life goals may be frustrated by events of which he has no knowledge and which he cannot influence. All this is reflected in the models of pure competition although it is concealed, unconsciously, behind mathematical and "scientific" terminology. It is not easy to understand how a purely competitive state could ever have been represented as a pattern for an individualistic society. Sure, such a state would prevent power of man over man. But it would subject everybody alike to the domination of an impersonal market mechanism, expose everybody to uncontrollable forces and prevent everybody from leading a secure mode of life in which all the potentialities of the individual could be developed.

If socialism and communism have been characterized as the nationalization of poverty, a purely competitive society can be characterized as a socialization of insecurity and economic helplessness. However, the models of pure competition perform a socio-cultural function by reflecting the ideals of industrial society. Pure competition is supposed to be beneficial in two respects: it reduces prices and it leads to an "optimum allocation of resources." Thus, the individual living in our industrial civilization is shown by this model that, in return for his insecurity and for his submission to impersonal market forces, he will receive economic compensations. The model thus becomes an instrument of adaptation to the ideals and institutions of industrial society.

Economic Rationalism. The postulate of rationality is one of the basic assumptions of economic theory.

Economic analysis may be truly said to deal with "conduct" in the Spencerian sense of acts adapted to ends. It assumes that men's acts are ruled by conscious motives. The conclusions of economic theory must in general be admitted subject to the qualification, insofar as economic activities are *rational or planned.*[30]

[30] Knight, *op. cit.*, p. 52.

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Economics makes possible rationality of choice. For rationality of choice is nothing less than the choice with complete awareness of the alternative rejected.[31]

Rationality is connected in economic thought with *maximization.* "A unit of decision is said to act rationally when its objective is the maximization of a magnitude."[32] Thus, the concept of rational behavior assumes an economic coloring. Rational behavior means conduct motivated by the goal of maximization of money income, wealth and economic advantages. The assumption of rationality reduces the human personality to one of its parts, the conscious reasoning ego; and it presses reason into the service of economic acquisition. This approach is a heritage of the age of reason.

The period of enlightenment and utilitarianism believed that all social institutions are a creation of reason.[33] Nature and reason were coördinated concepts. Man was believed to be able to recognize by his reason the laws of nature and of society, factual and normative laws. This creed was embodied in economic thought and philosophy and carried over into the nineteenth century. Its optimism "was based on a triple conviction: 1) that the pursuit of the good was a matter of right reasoning; 2) that the spread of knowledge would soon make it possible for everyone to reason rightly; 3) that everyone who reasoned rightly would act rightly."[34]

Thus, the philosophy of growing industrialism elevated rationalism to the dignity of an ideal. However, in doing so it exaggerated rationalism and interpreted everything, man, society and the universe according to this ideal. All irrational, unconscious, spiritual elements in man, society and nature were denied and eliminated from the intellectual scene. The totality of human existence was dissected, and only a part of it was acknowledged. This intellectual process paralleled the social process. Industrial society molded the individual into a profit calculating mechanism. Accordingly, rationalistic philosophy submerged the individual into the universalities of rationalistic thinking and economic theory represented it as a maximization machine.[35]

Economics always remained a child of rationalism. The subjective

[31] Robbins, *op. cit.*, p. 152.

[32] O. Lange, "The Scope and Method of Economics," *Review of Economic Studies,* Vol. XIII/1, No. 33 (1946/47), p. 30.

[33] Hasbach, *Die Allgemeinen Philosophischen Grundlagen der Politischen Oekonomie,* Leipzig, 1890.

[34] E. H. Carr, "The Twenty Years Crisis," London, 1946, p. 24.

[35] This violation and repression of parts of the personality called forth a reaction against this exaggerated rationalism in the form of romanticism and in anti-rationalistic movements: Schopenhauer Nietzsche, Bergson, Freud.

value concept of the Austrians can be regarded as a mild symptom of psychologism in economic thought, but it was safely enclosed in the rationalistic framework of marginal calculus. However, the general decline in the rationalistic credo of our civilization manifests itself in economic thought in the slight reality value attributed to the postulate of rationality.[36] The rationalistic models are interpreted as methodological devices, as hypothetical, heuristic principles. Their unrealistic character is openly admitted. The rationalistic ideal has become diluted and is demoted to a mere box of tools. Thus, a hidden doubt in its validity is unconsciously expressed. The enlightenment really believed in the purely rational character of man, nature and the universe. Modern man and consequently modern economics has abandoned this belief.

The use of rationalistic models as ideal types or as instruments of analysis represents a last bastion of exaggerated rationalism. Why are these models retained in spite of the recognition of their lack of realism? Because they still perform a socio-cultural function. We have to assume that man is rational and that his rationalism leads him to act as industrial civilization requires him to act if we want to be able to live under the present economic system. The belief in perfect rationality and in the maximization principle is necessary to make life under the industrial system intellectually tolerable.

The repressed aspects of human personality are continuously knocking at the door of our consciousness. They strive for realization. They cannot attain it, because under the present system personality traits which do not conform to the rationalistic and acquisitive ideal of modern industrialism cannot be developed successfully. The constructs of economic theory help to silence these disturbing forces. They tell the individual: you are as industrial society wants you to be. You are a completely rational conscious being, whose main purpose in life is the satisfaction of known, permanent needs which are satisfied by industrial production. You are trying to maximize utility by maximizing your money income. The mode of life which industrial society imposes on you is what you really want. This can be proved by the laws of economic conduct derived by economic analysis from irrefutable premises. The aims of the individual are represented as identical with the aims of industrial civilization. Economic theory comforts the individual who is torn apart by the conflict between

[36] Knight, *op. cit.* p. 52; L. Robbins, *op. cit.* p. 93*ff*; Max Weber, "The Theory of Social and Economic Organization," T. Parsons trans., New York, Oxford University Press, p. 107.

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economic rationalism demanded by society and the desire to develop all the potentialities of his personality.

The uneasiness of modern man in respect to the acquisitive ideal and its gradual disintegration is reflected in the tendency of economic theory to avoid a discussion of *ultimate values* by assuming "randomness of ends."[37] Economic theory does not enter into an examination of ends and of their relations to each other. It is not concerned with ethical values. Ends are accepted as given.

> So far as we are concerned our economic subjects can be pure egoists, pure altruists, pure ascetics, pure sensualists. . . . Our deductions do not provide any justification for saying that caviar is an economic good and carrion a disutility . . . individual valuations . . . are outside of the sphere of economic uniformity . . . from the point of view of economic analysis, these things constitute the irrational elements in our universe of discourse.[38]

Thus, modern economic analysis refrains from an investigation of why people act as they act. Value attitudes and decisions are left on the outside. The sphere of economics, restricted already to conscious deliberate behavior, is further restricted by the exclusion of value judgments and decisions from the content matter of the discipline. This procedure could be interpreted as modest self-control and as a prudent limitation of the boundaries of science. However, abstraction is not merely a deliberate decision. It is often propelled by unconscious motives. What the human intellect abstracts from is usually something which bothers the conscious human ego; one abstracts from unwelcome thoughts and impulses.[39]

The abstracting tendency of modern economics in respect to values and in respect to the why of human decisions on ends represents an uneasy conscience about the ultimate ends on which economists implicitly base their analysis. It is not true that economics does not enter into the question of ultimate values. It accepts the ultimate life goals of industrial civilization: work and acquisition of wealth as ends in themselves. It tries to hide value statements behind statements of fact.[40] The value-attitudes of industrial society are included in the basic psychological assumptions of economic theory. The assumption of rationality and the principle of

[37] T. Parsons, "The Structure of Social Action," New York, McGraw Hill Book Co., 1937, p. 59*ff*.

[38] L. Robbins, *op. cit.*, p. 106.

[39] S. Freud, "The Problem of Anxiety," trans. by H. A. Bunker, New York, 1936, ch. VI.

[40] G. Myrdal, *Das Politische Element in der National Oekonomischen Doktrinbildung*, Berlin, 1932.

maximization contain implicit value judgments.[41] By assuming that individuals and firms aim at the maximization of utility and profits these aims are ultimately accepted as values.[42] By clothing these value judgements in the form of factual statements the individual in industrial society is unconsciously deceived about the value character of these assumptions.

This type of procedure has already been used by the classics. "Every individual is continually exerting himself to find the most advantageous employment for whatever capital he can command."[43] This famous statement is the implicit or explicit basis of the theory of economic conduct up to the present time. What Adam Smith should have said in order to bring out the hidden implications of his dictum is this: according to the value-attitude pattern of industrial society every individual *is supposed to exert himself* in the continuous search for economic advantages. If people do not move around lured by higher wages, if capital does not continuously change its form of investment in search of higher profits, if every employee does not try to get ahead of every other employee—the system cannot work as it is supposed to work.

This mode of life implies continuous exertion, an inhuman amount of flexibility and mobility, the renunciation of human ties with our fellow man and our habitation, and a hostile competitive attitude towards others. This attitude is contrary to human inclination. In order to make it acceptable this mode of life has to be represented as being natural and therefore unavoidable. By making use of the rationalistic and scientistic attitude of the times, economics tries to make the acquisitive attitude acceptable by describing it as a natural trait of man and as a fact. Thus, it serves as an instrument of molding the individual according to the cultural pattern of industrial society.

Omniscience. The anti-individualistic character of some economic theories manifests itself also in the use made of the concept of omniscience or perfect knowledge. Perfect knowledge is one of the assumptions "which it is sometimes convenient to postulate"[44] in order to arrive at a model of a perfect state or of perfect competition and without which

[41] H. Hartman, "On Rational and Irrational Action," in: *Psychoanalysis and the Social Sciences*, New York, 1947, Vol. I, p. 368.

[42] Doubts have been raised recently as to the applicability of the profit maximization principle, even in the case of corporations. See Rothschild, "Price Theory and Oligopoly," *Economic Journal*, Sept. 1947, p. 299*ff*; Reder, "A Reconstruction of the Marginal Productivity Theory," *Journal of Political Economy*, Oct. 1947, p. 450*ff*.

[43] A. Smith, "The Wealth of Nations," Cannan ed., Vol. I, Bk. IV. Ch. II, p. 419.

[44] Robbins, *op. cit.*, p. 94.

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equilibrium would be impossible.[45] What interests us here is the hidden attempt to eliminate the uniqueness and the freedom of the individual through this assumption. ". . . with uncertainty absent . . . it is doubtful whether intelligence itself would exist in such a situation; in a world so built that perfect knowledge was theoretically possible, it seems likely that all organic readjustment would become mechanical, all organisms automata."[46]

The assumption of perfect knowledge leads to a picture of society as a world of automatic, mechanic, soulless, intelligence-less robots. Man, in his totality, with his freedom and uniqueness, is killed—the individual can vanish from the scene. The individual is robbed of some of his essential aspects and eliminated from the chain of natural causation. Perfect knowledge removes the freedom of will and the freedom of individual action which creates the uncertainty and the indeterminateness in the cosmos.[47] We can be certain only if we cease to be human beings. We can either live and err, or die and have certainty and peace. Thus, the intellectual hallucination of omniscience in the models of perfect competition removes us from the scene as concrete human beings and thus "liberates" us from all responsibility and necessity for free action.

It is a concomitant to what has happened to the individual in modern industrial society in which he has been reduced to a state of "automaton conformity."[48] "The individual ceases to be himself; he adopts entirely the kind of personality offered to him by cultural patterns; and he therefore, becomes as all the others are and as they expect him to be. The discrepancy between the I and the world disappears and with it the conscious fear of aloneness and powerlessness. . . . But the price . . . is high; it is the loss of his self."[49] Modern industrial society, through its mass organizations, through its giant urban agglomerations, through the many pressure agencies for social conformity, through education, newspapers, advertising and radio and through explicitly applied or threatening social ostracism has formed modern man into an automaton character. The marketing attitude, so widespread in our civilization, consisting in "the experience of oneself as a commodity and of one's value as exchange value,"[50] is a powerful instrument for the establishment of conformity and automatism in modern society.

[45] Knight, *op. cit.*, p. 272.
[46] *Ibid.*, p. 168.
[47] Knight, *op. cit.*, Ch. VII, esp. 220*ff*.
[48] Knight, *ibid.*
[49] Fromm, "Escape from Freedom," p. 185*ff*.
[50] Fromm, "Man for Himself," p. 67*ff*.

If "success depends largely on how a person sells himself on the market,"[51] he has to adapt himself to the demands of the market, that is of society. The life goal of the modern individual, material success, requires his conformity and adaptation to the vicissitudes of the market. Thus, modern man is constantly forced to conform, prohibited from deviation from the social norm, and repressing the character traits which do not fit into the general pattern. Modern civilization, all popular notions to the contrary notwithstanding, creates common matrices of thought, feeling and willing. We are forced to talk, act and live in ready-made patterns imposed upon us by education and by the constant pressure of the organs of "public opinion." The tendency not to differ from the others, to look and think and talk like everybody else is a general characteristic of our culture. The "omniscient automaton" of economic theory is an intellectual projection of a real social situation. The fact that in this intellectual hallucination automatism is combined with the elevation of man to the rank of an all-knowing deity shows that modern man is not happy in his rôle of a conforming robot. He needs the consolation of a compensatory fantasy to be able to bear his fate.

III

THE PRECEEDING DISCUSSION raises the question: what is this real self which we have opposed to the social self? If personality and character structure are only a social product as modern anthropology and sociology are inclined to believe, what is the psychologocal locus of this real personality? It cannot be denied that a conflict between the demands of the environment and aims of the individual "exists" as a basic psychological experience. This conflict can, perhaps, be explained by the fact that the human individuality is a composite of many parts. It is a "fruit of both nature and spirit."[52] It is composed of biologically determined drives on the one hand and of an observing, integrating, conscious ego on the other. Man is also a social product because every individual has absorbed the social ideals of his society. They become part of his own character structure.

Thus, man is a unity in the manifold; none of his parts, nature, reason, spirit, internalized social norms, exhaust the human personality; he is all these elements together. No culture ever encompasses the totality of the human personality. Culture is an abstraction from some aspects of human existence. No civilization is a complete mirror-image of human reality; some aspects are ignored, and others emphasized. Thus, cultures disinte-

[51] *Ibid.*, p. 60.
[52] Niebuhr, *op. cit.*, Vol. I, p. 54.

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grate because of the burden they impose upon the human personality by suppressing certain trends of the personality. The suppressed parts clamor for realization. A process of secular repression and of reappearance of the repressed features takes place. The strength of these forces first suppressed and then reappearing undermines the institutional and ideological structure of the cultural institutions by which the repression is performed.

In modern civilization the conscious deliberate and rational side of the personality is stressed, perhaps overstressed, and the irrational and supra-rational aspects are neglected. Modern civilization is lopsided in its emphasis on rationality, especially on economic rationality. The modern ideals of complete rationality, continuous work and the accumulation of capital and wealth as ends in themselves lead to a very strenuous mode of life. The history of modern civilization could be described as a process in which the irrational and non-economic trends in the human personality revolt against the dominant economic rationalism, and, thus, undermine the existing system.[53]

Economic thought is a link in this chain of events. It reflects and projects the cultural ideal of industrial civilization. It tries to amalgamate the goals of the individual with the requirements of this civilization. In its growing abstractness and in the growing doubts about the validity of its findings the disintegration of the ideals of industrial society find their reflection in thought. The meaning of economic thought cannot be understood without insight into its psychological background. With such insight, however, economic thought can serve as a barometer to gauge the atmosphere of the times.

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[53] Schumpeter's theory of capitalist disintegration because of the self-destructive forces generated by capitalistic rationalism seems to uncover another aspect of this development. See "Capitalism, Socialism and Democracy," 2d ed., New York, 1947, esp. Chs. XII, XIII.

City Planning and Democracy

THE GROWING INTEREST in city planning carries great promise for American democracy. In city after city influential groups have organized themselves to take stock and to plan the future. Fifteen years ago, and even less, planning was thought to be either doodling or conspiracy: doodling at the local level where the ultra-specialized work of professional city planners produced piecemeal and often picayunish detail that failed utterly to capture the public imagination; conspiracy at the national level because it seemed to tend in the direction of wholesale governmental regimentation of our economic and social structure.

The war effort may have been principally responsible for the new attitude. We had learned before that to see ourselves through clear glass, to see and to deprecate the slums, the miserable traffic accommodations, the chaotic conglomeration, the depletion of our forests, the dangerous neglect of the soil, the waste of visibly limited natural resources. But in the war we learned that the cities we had come to look upon as utterly enduring can be wiped off the map in one night of saturated bombing. We witnessed the immediate replanning of such cities on a greater and more humane scale, and in America asked ourselves seriously if we had to learn the lesson by actual bombing. The consolidation of all effort to win the war exhilarated us in a gigantic common drive to achieve the apparently impossible, and by comparsion made the rational democratic replanning of our cities and regions seem simple. For what, furthermore, were we fighting the war, investing our lives and our wealth if not to assure us the opportunity to enrich and beautify the future? Hence, in the very heat of war, we found solace, hope and inspiration in planning.

In spite of the creeping paralysis of reaction and disillusionment characteristic of very post-war period, this desire of American democracy for a better community, a more humane city, persists. An ever widening circle of individuals and civic organizations devotes itself seriously to a consideration of planning. Democracy is taking hold with serious intent. Planning, furthermore, is a process of recognizing relationships. Whatever one may begin to plan, one is compelled inexorably to take other matters into account. In the planning process, therefore, democracy is led from the most obtrusively physical to social and ethical problems.

Educators today are profoundly concerned with ideals. They could not find a better medium for the learning and teaching of ideals than a conscious participation by teachers and students in the process of democratic planning at the various levels from the community to the world. For in planning humanity acquires humaneness and the humane achieves concretion.

BRYN J. HOVDE

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Soviet Centralism

By GEORGE C. GUINS

ALTHOUGH SOVIET LAW differs essentially from the law of the so-called capitalist States, legal terminology is the same in both systems. Such terms as federalism, national autonomy, sovereignty, democracy, ministries, syndicates, trusts and civil rights can easily mislead western jurists when they are used by Soviet legislators, just as familiar labels can deceive a customer if used by a new producer on new products. A careful examination of Soviet legislation and practice is, therefore, imperative, particularly because the nomenclature is parallel in both systems. Spellbound by the original promises of the Soviet State and ignorant of the perversion by Soviet jurists of such familiar terms as federalism, democracy, etc., one can overlook the reality.

Besides, Soviet law has several times been modified or radically changed. *The Declaration of Rights of Laboring and Exploiting People* of 1917 proclaimed that "The Russian Soviet Republic is formed on the basis of a free union of free nations, as a federation of national Soviet Republics." It is, however, seriously questionable whether the Soviet Union is actually a federation of sovereign States and autonomous republics. There existed a short period after the October Revolution when a triumphant separatism dismembered the former Russian Empire. The Soviet government did not oppose it. However, the further development of the Soviet State has been marked by the gradual submission of all the newly formed national republics to the central Soviet government. The Soviet State has become more and more a unitary State. This evolution is paralleled in the matter of self-government, where the Soviet State has become inordinately centralized and bureaucratic.

The problem is whether centralism, as it now exists in the Soviet Union, is only a temporary expedient, or whether it is a consistent and lasting phenomenon inherent in the Soviet system in conformity with its planned economy and aggressive ideology.

I

THE LEFT-WING Socialist groups in Russia did not support the nationalist aims and programs of separatism which attracted many nationalistic politicians.[1] Lenin, in his "State and Revolution," decisively opposed the

[1] Paul Milinkov, "Russia Today and Tomorrow," New York, Macmillan, 1922. Separatist and federalist movements existed among Ukrainians, Poles, Lithuanians, White Russians (Byelorussians), Georgians and Armenians (Dashnaktsiutun). See Halina Zasztowt-Sukiennika, *Fédéralisme en Europe Orientale*, Paris, 1926, pp. 78–89; Gui Ladreit de Lacharriere, *L'Idée Fédérale en Russie de Riourik à Staline*, Paris, 1945, pp. 27, 93–9.

partisans of federalism.[2] He wrote further that "A conscientious proletarian will always fight for a large-scale State. He will always fight against the medieval particularism and always hail the closest economic consolidation of vast territories."[3]

Stalin, on the other hand, stated openly in 1913 in his first essay on the national question that "National particularism is not adjustable to the program of social democracy."[4] He opposed even then cultural-national autonomy and expressed his advocacy of regional autonomy.[5] In 1917–1919, he changed his opinion.

Independence and national self-determination were originally promised and set forth in the proclamation of Lenin and Stalin addressed "To all the working people, Mohammedans of Russia and the Orient":

Mohammedans of Russia, Tatars of the Volga and Crimea, Kirghizs and Sarts of Siberia and Turkestan, Turks and Tatars of Transcaucasia, your beliefs and customs, your national institutions and culture are hereafter free and inviolable. You have the right to them. Know your rights, as well as those of all peoples of Russia, are under the powerful protection of the revolution and of the organs of the soviets of workers, soldiers and peasants. Lend your support to this revolution and to its government.[6]

Later, during the Twelfth Party Conference in 1923, Stalin opposed the supporters of federalism. He argued that federalist organization of the Russian Soviet Socialist Republic was a temporary retreat from the principle of centralism and a forced concession to the nationalist movements.[7] Stalin explained that this initial policy of the Communist Party was a purely tactical maneuver. In a note to this article "*Against Federalism*" he stressed that it was expedient to start with concessions in order to overcome the extremes of the nationalist and separatist movements.[8]

Stalin's line of national policy is known in every detail.[9] His purpose

[2] "Federalism arises, as a principle, from the petty-bourgeois views of Anarchism," "State and Revolution," Ch. III, No. 4—"The Origin of National Unity." *Cf.* Gui Ladreit de Lacharriere, op. cit., I, III, *Marxo-Lenuinisme et Fédéralisme.*

[3] Lenin, "Critical Notes on National Problems", *Sobranie Sochinenii,* 1925, v. XIX, p. 58.

[4] Stalin, *Marxism i Natsionalno-Kolonialnii Vopros,* 1937, pp. 39–40. *Cf.* W. R. Batsell, "Soviet Rule in Russia," New York, Macmillan, 1929, p. 272.

[5] Stalin, *ibid.*, p. 42.

[6] Batsell, *op. cit.*, p. 109.

[7] Rakovski insisted at the Twelfth Conference that the Soviet political structure was pursuing the wrong road, that "it is necessary to deprive the Union commissariats of nine-tenths of their jurisdiction in favor of national republics." (*See Stenographic Reports of the XIIth Party Conference,* p. 534, and Stalin's "Collected Works" (in Russian), v. III. pp. 30–1.

[8] "Federation is a transitory form." Stalin, v. III, pp. 25, 29–31.

[9] *Cf.* Stalin, *Marxism i Natsionalno-Kolonialnii Vopros;* also S. J. Iakubovskaia, *Ob'iedinitelnoie Dvizhenie za Obrazovanie* U.S.S.R. Moskva, Ogiz, 1947.

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was to organize the various nationalities according to the Soviet standard, to attract the leading representatives of the new national groups into the Soviet political structure, and then to reunite Russia in the new Soviet system. Sovietization of all national groups was an indispensable part of his plan. "That autonomy only can exist which is supported by the Soviets of workers deputies," Stalin said.[10] Consequently, the national Ukrainian Republic governed by the Rada was not recognized by Moscow. It achieved recognition only when it became the Ukrainian Soviet Republic.

The entire history of Soviet legislation regulating the status of the member republics of the Soviet Union illustrates the above-described policy, as does the history of the Soviet satellites after World War II. All nationalities are organized according to a consistent Soviet standard, and subsequently united with the ultimate aim of consolidating and strengthening the Soviet Union as a single State.[11]

At first, as has already been stated, the Soviet government did not oppose national movements. The First Soviet Constitution of the Russian Soviet Federated Socialist Republics, that of July, 1918, did not include the Ukraine. The peace treaty with Germany was concluded by the representatives of both the Russian and Ukrainian Republics. Following the defeat of the so-called "white armies," a series of treaties with the previously established nationalist republics was negotiated, gradually uniting all parts of pre-revolutionary Russia, first for mutual defense, and later for purposes of economic co-operation.[12]

The establishment of the first United People's Commissariats was a further step towards unification. In 1922, under the pressure of the Red troops and Soviet secret police forces (G.P.U.), all national formations in the Ukraine, Transcaucasia and Turkestan were sovietized and subjected to the local communist organizations. On December 30, 1922, the treaty

[10] Stalin, v. IV, pp. 87–8, 229. In his report to the Tenth Congress of Soviets, Stalin declared that only socialist States having a uniform political and social structure could be incorporated in the Soviet Union and that it is necessary to struggle "not only against imperialist shovinists" (sic) but also "against local nationalism." (Stalin, *Marxism i Natsionalno-Kolonialnii Vopros*, pp. 93, 112–123.) This principle remains a leading motto of the Soviet national policy (*Cf.* G. Alexandrov, "Velikoderzhavnyi Shovinism," *Politicheskii Slovar*, Gosizdat, 1940).

[11] This policy was formulated by the Eighth Congress of the Communist Party: "The Party accepts a federation of States organized in conformity with the Soviet type, as a transitional form of Union on the way to their complete consolidation." (*V.K.P. (b) v Resolutsiakh*, pp. 1, 287.)

[12] Treaties of alliance with the Ukrainian S.S.R., December 20, 1920; with Georgia, May 12, 1920; with Azerbaijan on Unified Economic Policy, September 30, 1920; with Armenia, December 2, 1920; and September 30, 1921; and others.

to establish the Union of Soviet Socialist Republics was concluded and ratified.[13]

With the formation of the Soviet Union began the uninterrupted process of the fusion of all national republics into a single, centralized State. Relics of original national autonomy were preserved on the basis of the first Constitution of the U.S.S.R., of 1923, approved by the congress of the representatives of the Soviet Republics on January 31, 1924. This constitution established the supreme instruments of State authority of the U.S.S.R., whose power was later extended and definitely consolidated by the Constitution of 1937. The process of this consolidation can be illustrated by several examples. Originally, only the establishment of the basic principles of the judicial system and judicial procedure, and principles of civil and criminal legislation came within the powers of the supreme political organs of the Soviet Union (Constitution of 1923, Art. 1, o). With the formulation of Stalin's Constitution (Art. 14, u) not only basic principles but legislation in general in regard to the judicial system and procedure as well as criminal and civil codes came within the jurisdiction of the U.S.S.R. Consequently, all characteristics of the organization of the courts[14] and of civil legislation peculiar to particular national structures had to be eliminated. Even the "determination of the principles of legislation concerning marriage and the family" (Art. 14, w) was now within the sphere of the U.S.S.R. Anyone familiar even superficially with the customs and manners of the different peoples comprising Asiatic Russia can well understand what standardizing of family and civic life means for them.

Control and supervision over basic political activities of the Union Republics were also strengthened considerably. The Constitution of 1924 empowered the supreme authoritive bodies of the U.S.S.R. to "repeal decrees of the Congress of Soviets and of Central Executive Committees of

[13] "The very nature of the workers' and peasants' State, in gradual development and strengthening of the new structure of society in the Soviet Republics, is driving them towards union and towards the fusion of their forces for the realization of their common aim." Declaration of July 13, 1923, on the Constitution of the Soviet Union (see Batsell, *op. cit.*, p. 301.)

[14] Until 1935, the U.S.S.R. Supreme Court was rather an advisory body. In its competence was to examine and protest against before the TsIK (Central Executive Committee) of the U.S.S.R., at the instance of the federal Attorney General (The *Procuror* of the U.S.S.R.) resolutions, decisions and verdicts of the supreme courts of union republics. (U.S.S.R. Const. of 1923, Art. 43, b.) But the 1936 Constitution and the Judiciary Act of 1938 (Art. 64) vested on the supreme court of the U.S.S.R. "the supervision of the judicial activities of all the judicial organs of the U.S.S.R. and of Union Republics." (Art. 104). Still more centralized is the activity of Procurators of Republics submitted to the Procurator-General of the U.S.S.R. who appoints them (Art. 115).

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the Union Republics infringing the Treaty of Union" (Art. 1, w). Stalin's constitution goes even further. It requires that the constitutions of the Union Republics conform with the Constitution of the U.S.S.R., and gives the latter the right to ensure this conformity. In consequence, the constitutions of all sixteen Union Republics became completely standardized. Even before 1937 they differed more in words than in content. Yet the constitutions of certain of the member Republics, in particular that of the Ukrainian Republic, included some important provisions pertaining to their individual governments.[15] After 1937, all these differences were wiped out. The present constitutions of all the Union Republics repeat the same text almost word for word. Exceptions to this are those articles relative to the national structure and regional division of certain Union Republics. The only essential peculiarity can be found in the constitutions of the five Republics of Central Asia. These constitutions contain special guarantees of women's emancipation and equality; they declare resistance to the emancipation of woman to be a crime.[16]

A State whose economic life "is determined and directed by the State national economic plan" (Art. 11 of the Constitution of 1937) has a predilection toward centralization and unification. It is no wonder, therefore, that, expressing Stalin's concept of the State and his desire for unlimited power,[17] the Constitution of 1937 issued at the time of the Five Year Plans erased all trace of autonomy that may have existed under the Constitution of 1923.[18] Soviet centralism, therefore, proves itself to be

[15] For example, according to the Ukrainian Constitution (Art. 35), the legislative power of the Presidium of the Ukrainian TsIK was limited. It was deprived of the right to issue laws of a basic significance. This same constitution was the only one of the Union Republics' constitutions which had reproduced in its text (Art. 36) the regulations concerning the right of protest against decrees and resolutions of the Sovnarkom of the U.S.S.R., and of suspending ordinances of the people's commissariats of the U.S.S.R. Although these regulations were included in the Constitution of the U.S.S.R. (Art. 53, 59) their repetition in the Ukrainian Constitution certainly stressed significance and authority of local authorities.

Certain of the constitutions (Byelorussian, Art. 12; Azerbaijan, Art. 6; Georgian, Art. 11; Armenian, Art. 5) had acknowledged freedom of both religious and anti-religious propaganda. This was also an essential difference when compared with the other constitutions, and no longer exists.

[16] Constitution of the Turkmen Union Republic, Art. 103; of the Uzbek, Art. 121; of the Tadjik, Art. 107; of the Kazakh, Art. 100; and of the Kirghiz, Art. 93.

[17] *Cf.* Mark Vishniak, "Sovereignty in Soviet Law," *The Russian Review*, January, 1949.

[18] He who collates, for example, the Constitutions of the R.S.F.S.R. of 1925 and 1937 will find that the enumeration of the objects of jurisdiction of the Union Republic authorities (which was only approximate in 1925—Art. 17, 18) is exhaustive in the Constitution of 1937 (Art. 19). Formation of new Republics and Regions was within the scope of the R.S.F.S.R. It now requires approval of the Supreme Soviet of the U.S.S.R. (Art. 19, c. of the Constitution of 1937). The list of Republican Ministries (formerly Commissariats) is significantly abridged. This same picture is paralleled in the other constitutions of the Union Republics.

not a temporary phenomenon. It is the final stage of an unyielding evolution, consistent with Maxist ideology, and its aim is to create a mighty, centralized State.[19]

II

ACCORDING TO THE STALIN CONSTITUTION (Art. 15) the Union Republics are "sovereign States."

The primary right which a Union Republic may claim to assert its sovereignty is the power "freely to secede from the U.S.S.R." (Art. 17). Within the exercise of this major right lies the possibility of restoring the lost autonomy, even the independence, of Union Republics. Theoretically, according to Articles 14 and 15 of the Constitution of 1937, the Supreme Soviets of the member Republics have the power to vote secession. They can do nothing, however, to make it materialize. The right of secession is a *nudum jus*, according to the terminology of Roman Law.[20] Only if the Soviet Constitution had established an order of realization of secession could it be anything but theory. Such an order is absolutely indispensable because of specific interrelations between the member Republics and the U.S.S.R., determined by the socialist economic structure. The land, its natural resources, mills, factories, rails, etc., belong to the whole people or to the entire family of nations ("vsenaiodnoe dostoianie"). (Art. 6 of the Constitution of the U.S.S.R.)

Within each of the individual Republics are tremendous investments made by the nation as a whole. Secession of one or another of the Union Republics presupposes a division of the common property of the nation and could not be executed without determinate regulations. This could be accomplished through either a special law or an interpretation of Article 17 of the Constitution. The power, in both cases, lies in the hands of the U.S.S.R. (Art. 14, d, l, q and Art. 49, b).

Each of the sixteen Union Republics, as "ornamental" States, has its own legislative bodies, Supreme Soviets. The jurisdiction of the U.S.S.R.

[19] ". . . in the interests of the successful struggle against the nationalism of all nations, in all forms . . . the task of preserving the unity of the proletarian struggle and of proletarian organizations, of amalgamating these organizations into an international community, in spite of the bourgeois strivings for national segregation." (V. I. Lenin, "On the Right of Nations to Self-Determination," Conclusion. See Lenin's "Selected Works," v. IV, New York, International Publishers, p. 293.)

[20] "The more closely the democratic system of State approximates to complete freedom of secession, the rarer and weaker will the striving for secession be in practice; for the advantages of large States, both from the point of view of economic progress and from the point of view of the interests of the masses, are beyond doubt . . . The recognition of self-determination is not the same as making federation a principle." (Lenin, "Collected Works," New York, International Publishers, v. XIX, p. 50.)

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is so comprehensive, however, that possibility for independent legislation by the Union Republics is virtually excluded. Ordinarily, the Supreme Soviets of the Union Republics do little more than duplicate laws enacted by the Supreme Soviet of the U.S.S.R. When, for example, the U.S.S.R. changed into ministries those bodies previously designated as commissariats, the Union Republics amended their designations similarly. When the number of members of the Presidium of the Supreme Soviet of the U.S.S.R. was reduced, the Union Republics followed suit.

The executive power of the Union Republics is limited no less than the legislative. The republics have no independent financial resources, and their budgets are included in that of the U.S.S.R. (Art. 14, k, of the Constitution of the U.S.S.R.; Art. 19, j, of the R.S.F.S.R., etc.)[20a] Transformation of the All-Union People's Commissariats (now Ministries) for Defense and Foreign Affairs into Union-Republic Commissariats changed merely the titles. The Ministry of the Armed Forces of the Union Republics is empowered only to carry out orders and instructions of the Minister of the Armed Forces of the U.S.S.R. Only the latter has the right "to fix the annual contingent of citizens to be called up for military service," "to direct the general organization of the Armed Forces of the country" (Art. 68, e, of the Constitution of the U.S.S.R.), "to organize the defense of the U.S.S.R.," to "direct all the Armed Forces of the U.S.S.R.," and to "determine directing principles governing the organization of the military formations of the Union Republics." (Art. 14, g). On the other hand, only the prerogative of determining the manner of organizing the Republic's military formation lies with the republic itself (Art. 60, f).

The jurisdiction of the Ministry of Foreign Affairs embraces "establishment of general procedures covering the relations of Union Republics with foreign states" (Art. 14, a). The Ministers of Foreign Affairs of the Union Republics are subordinated to the Minister of Foreign Affairs for the whole U.S.S.R., in accordance with the Constitution (Art. 87). The Ministers of the Armed Forces and of Foreign Affairs of the U.S.S.R. (called Union-Republic Ministers since the reform of February 1, 1944) still execute the U.S.S.R.'s plans and policy, and utilize the subordinated Ministries of the Union Republics as their agencies.

Territorial boundaries of the Union Republics are supposedly stringently controlled by Article 18 of the Constitution, and may not be altered without the consent of the Republic involved. As each of the Union Republics, however, shares a common boundary with at least one other of the repub-

[20a] Local taxes and other revenues of the Union Republics are comparatively inconsiderable.

lics, boundary alterations are impossible without confirmation of the U.S.S.R. (Art. 14, e). This is, of course, particularly apparent because all Union Republics have a common boundary with the R.S.F.S.R., the "alter-ego" of the U.S.S.R.

Whatever independent rights the Union Republics may still maintain they shall not preserve much longer. No article of the Stalin Constitution is impervious to amendment. The Constitution of 1937 (Art. 146) contains no limitations on the number or character of possible amendments. The Union Republics do not even have guarantees of their present structure.[21]

It is necessary, therefore, to draw certain undeniable conclusions concerning the sovereignty of the Republics which comprise the Soviet Union. According to the most recent definition by Soviet jurists, the term "sovereign" denotes "the State which is absolutely independent and is not submitted to any other state."[22] This definition coincides with that offered by legal theory at the beginning of the twentieth century.[23] According to this interpretation, however, the Union Republics cannot be designated sovereign States. They have neither police nor army apart from those of the greater U.S.S.R. They may establish no tax or duty without approval from the U.S.S.R. Their executive and judiciary institutions must submit as subordinates to those of the U.S.S.R. Their right of secession is essentially unrealizable. Compared with the states of the United States of America, the Republics of the U.S.S.R. have no independence whatsoever. Their rights and powers are, in fact, not essentially different from those of the pre-Revolutionary Russian Zemstvos (provincial self-governments).

Any sovereign State retains the prerogative of accepting limitations upon its sovereign rights, subjecting itself to the principles of law, partic-

[21] Article 6 of the Constitution of 1923 gave more guarantees of rights and interests of the Union Republics: "The territory of the Union Republics cannot be altered without their consent," and "for modification, limitation of the right of secession in agreement of all Republics forming the U.S.S.R. is required."

[22] I. D. Levin, *Printsip Suvereniteta v Sovetskom Mezhdunarodnom Prave*, M. 1947, p. 3; Alexandrov, *Politicheskii Slovar* (see *supra* note 10) 1940. Almost literally the same in *Entsiclopedia Gosudarstva i Prava*, III, pp. 1074–5. M. 1929–30; I. Trainin, "K Voprosu o Suverenitete," *Sov. Gos.* 2, 1938, p. 75.

[23] "Il n'y a pas sur la terre de volonté superieure à la souveraineté (Leon Duguit, *Traité de Droit Constitutionel* III'me edition, 1927, v. I, p. 545); "La souveraineté est inalienable." "En s'aliénant elle disparait" (ibid. v. II, p. 125). "Die oberste hoechste Rechtsmacht, welche keine andere ueber sich hat, nennen wir souveraen." "Die Souveraenetaet Unbeschraenkbar und folglich auch unteilbar ist." (Dr. Paul Laband, *Deutsches Reichsstaatsrecht*, D. Oeffentliches Recht der Gegenwart B. I., 1907, s. 16, 17). "Die geschichtliche Entwicklung der Souveraentaet lehrt dass sie die Negation jeder Unterordnung oder Beschraenkung des Staates durch eine andere Gewalt bedeuted. Souverane Staatsgewalt ist daher eine Gewalt, die keine hoehere ueber sich kennt." (Georg Jellinek, *Allgemeine Staatslehre*, 2 A. 1905, s. 461).

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ularly International Law. Once a State accepts these limitations, however, it loses its independence and can no longer claim sovereignty.

Do the Union Republics, although not sovereign, still maintain their statehood? A State may lose its sovereignty because of its incorporation into a unitary State. It may, nevertheless, maintain certain spheres of action in which it retains independence, is not subjected to the control of the All-Union authorities, and, consequently, may have legislative powers and its own organs of authority which identify it as a State.[24] The Soviet Republics, however, cannot claim independence even to that extent.

Originally, as we have seen, the Union Republics preserved some characteristics of autonomy. Soviet development has, however, replaced autonomy with decentralization. No wonder, as from the beginning, federalism was recognized to be a transitory state only, preceding inevitable fusion. Correspondingly, the Union Republics gradually found themselves transformed into provinces of the unitary State.[25] Since 1937, the Union Republics have not been States. They are territories in which the native language is used in government institutions, courts and schools. They are territories administered only partially on principles of self-government, partially on the U.S.S.R.'s plans for decentralization.

The Soviet Union abuses terminology in its use of the word "sovereignty," and in its designation as well of certain government agencies as ministries. To be sure, Soviet legislators use the terms federative, Autonomous Republics, Ministers of Autonomous Republics, not less arbitrarily and without warrant.[26] Local officials, completely subordinated to the Ministers of the U.S.S.R.,[27] are not Ministers in the accepted connotation of the term. The R.S.F.S.R. is not a federative State because the so-called "Autonomous Republics" incorporated within the R.S.F.S.R. are not States.[28]

[24] Laband, *op. cit.*, s. 17: G. Jellinek, *op. cit.* s. 751.

[25] "The Proletarian Party aims to create as large a State as possible. It tries to accomplish a further rapprochement and fusion of nations." (A. Alymov and S. Studenikin, "Sovietskii Federalism i Democraticheskii Centralism", *Soviet State and Law*, 1933, No. 1–2, p. 13.) It became in the U.S.S.R. just what was described by I. O. Levin in his article *Princip suvereniteta v burguasnoi nauke prava:* disappearance of the old form of federalism and appearance of a new one, which guarantees a complete predominance of the federative center, only screened behind a "co-operation." (*Izvestia Akademii Nauk, Otdelenie Economiki i Prava*, no. 3, 1947)

[26] Soviet jurists themselves are skeptical concerning applicability of any descriptive labels of non-soviet jurisprudence in Soviet legal science; (*Cf.* G. Towster, "Political Power in the U.S.S.R.," Oxford University Press, 1948, p. 109, note 50).

[27] *Cf.*, for instance, Art. 67 and 71 of the Constitution of the R.S.F.S.R. which submit activity of the Ministers of Autonomous Republics to the instructions and orders of the Council of Ministers and of Ministers of the U.S.S.R. and of the R.S.F.S.R.

[28] "Autonomous Republics are in a sense sub-republics enjoying a species of local self-government. They are certainly not autonomous in the fullest sense of that term." (Scrutator, "The Soviet Legal System", *Law Journal*, January, 1944).

III

CERTAIN ADMINISTRATIVE PROCEDURES within the Soviet Union are organized on principles of decentralization, and only to a lesser extent on self-government. Administration is decentralized when local agencies are responsible for specific areas of national activity. Self-government exists to the extent that local Soviets, to which the State has transferred a part of its functions, represent both the U.S.S.R. and the local populations which elect them.

The first Soviet Constitution of 1918 was already based on principles of administrative centralization rather than on self-government. This characteristic was, however, strengthened considerably during the period of the Five Year Plans,[29] and found definite expression in the Stalin Constitution of 1936. The Constitution of 1924 established ten People's Commissariats as the central government of the U.S.S.R. Several administrative branches, such as agriculture, remained under the authority of the Union Republics. At the end of 1929 the Unified People's Commissariat of Agriculture was established. Since then the number of federal institutions has consistently increased until, in January of 1949, it reached the prodigious figure of fifty-seven ministries. The ministries of the Union Republics had been transformed into agencies of the ministries of the U.S.S.R. Only the ministries of Municipal Economy, Social Maintenance, Motor Transport, and Elementary and Secondary Education remained within the jurisdiction of the Union Republics. An enumeration of these ministries of the Union Republics would hardly make an impressive list, and was excluded from the text of the Constitution.[30]

The Soviet apparatus, originally created by Lenin in 1917 as a system which attracted masses of workers, peasants and soldiers into administration, has been transformed into a remarkably simplified, stable, consolidated system of exceedingly subordinated centralized institutions. Local authority has been under central domination from the beginning. The Constitution of the R.S.F.S.R. of 1918 vested in regional, provincial, county and rural governments authority to decide all questions of "local importance," but obliged them to "carry out all orders of the respective higher organs of the Soviet Power" (Art. 61, a and c). The significance of these governmentes as organs of self-government was decreased also be-

[29] "The carrying out of Socialist construction under conditions of sharpening class struggle requires inevitably a more and more strengthening of planning leadership from the center . . ." A. Alymov and Studenkin, *op. cit.* p. 18. (*Supra* note 25).

[30] See the report by Vyshinski presented to the Supreme Soviet on Feb. 25, 1947 (*Moscow News*, March 1, 1947.)

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cause of a specific peculiarity of organization of the Soviets. All soviets (elected by the people in their respective areas) elect their executive committees, called *Ispolkoms*. These bodies replace the soviets which elect them in essentially the same manner in which the Presidium replaces the Supreme Soviet. The nature of this administrative "substitution" was pre-established by Article 56 of the Constitution of 1918: " . . . during the intervals between the sessions of the soviets the Executive Committee is the supreme power."[31]

In consequence of this system of substitutes, a number of Soviet institutions are replaced by effectively controllable *Ispolkoms* and Presidiums composed of reliable communists.[32] This system is an unmitigated contradiction of the declared principle that "all power in the centre and in the provinces belongs to the soviets" and that "the Russian Soviet Republic is organized on the basis of free nations."[33] Subjugation of local organs to the central Soviet government is secured, in addition to legislative measures and methods of organization, through the Communist Party. Parallel to the organization of the local soviets exists the Party structure with an analagous hierarchy. With the aid of Party authority absolute submission of all Presidiums of the Supreme Soviets (central committees and *Ispolkoms*) is guaranteed.

The principle of centralization, as realized in the Soviet structure, firmly unifies the legislative activity of all Union Republics, submits to central control the enforcement of law, and forces all local executive organs to follow all directives from the center. Final consolidation of the purely

[31] *Cf.* also Article 29 of the Constitution of 1924: "The Presidium of the TsIK of the U.S.S.R., during the interval between the sessions of the TsIK of the U.S.S.R., is the supreme legislative and administrative organ of authority of the U.S.S.R." The All-Russian Congress of Soviets consisted of some thousand representatives. It was replaced by the TsIK having, during the last years of its existence, over five hundred members. The TsIK became a kind of parliament. However, as we have just cited, this parliament was replaced by the Presidium of the TsIK consisting of only twenty-seven members (Art. 26 of the Constitution of 1924).

[32] "The Congresses of Soviets and their Executive Committees have the right to control the activity of the local Soviets (*i.e.* the Regional Congress controls all Soviets of the respective province, with the exception of the urban Soviets, etc.); and the regional and provincial Congresses and their executive committees have, in addition, the right to overrule the decisions of the Soviets of their districts, giving notice in important cases to central authority" (Art. 62 of the Constitution of 1918).

[33] Articles 1 and 2 of the *Declaration of Rights of the Laboring and Exploited People* included in the Constitution of 1918. "The local organs of the Soviet State differ from all corresponding organs of local administration and self-government in the capitalist countries not only as their class structure is concerned but also in that they are the *only* local organs of the government." Acad. Trainin, "Local Organs of the State Power in the U.S.S.R. and the 'self-government' in the Capitalist Countries" (*Sov. Gosudarstvo i Pravo*, No. 1, 1940.)

bureaucratic apparatus of Soviet administration has been reaching completion since world War II. Each new ministry created by the U.S.S.R. expands the economic and administrative control of the central government. Local government has been reduced to little more than a gesture.[34]

Thus, the peoples of the Soviet Union have gradually been deprived of their national autonomies and even of self-government.[35] This administrative development is imminent wherever the people find their economic life "determined and directed by the State national economic plan" (Art. 11 of the Constitution of 1937), and where all national resources are in the hands of the central government (Art. 6, *ibid.*)

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[34] To the *Ispolkoms* are attached different departments or respective commissariats (of Finance, Economics, Land, Labor, Education, Commerce, etc.) which were organized since 1918 to replace "the old, antiquated government institutions." Later, in the Union and in the Autonomous Republics these departments and commissariats were developed and renamed ministries.

[35] "All Soviets—from the Supreme Soviets to the village Soviet—are organs of State authority." (A. Vyshinski, "The Law of the Soviet State," New York, 1948, p. 245.)

Agricultural Co-operatives in Japan

THE DEMOCRATIZATION OF JAPAN under the American occupation continues to chalk up new victories. At the last report that has come to us, 26,131 co-operatives had been organized by 7,166,558 agriculturists. Considering that General Douglas MacArthur's land reform has put agricultural landownership on a basis even more democratic than that of France, this network of agricultural co-operatives is a very important means of placing economic power in the hands of the people. Until Japan reforms its tax system, its smallholders will not enjoy a position comparable with those of Denmark. But at least they are on the way.

W.L.

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Importance of Part-Time Employment

By Paul Hubert Casselman

I. Social Theory

Meaning of Part-Time Employment

In the broad sense part-time employment includes all paid work performed in addition to a full-time job or occupation. It generally excludes seasonal employment or employment which recurs at certain times of the year, such as summer or Christmas holiday work by students or teachers.

Part-time workers perform their duties under various arrangements. In the most formal arrangement part-time employees are actually on an employer's payroll and work a few days a week or a few hours a day under his direct supervision. This type is the easiest to determine and to measure and in fact will be the basis for the case study dealt with in Part II of this paper. In such cases wages are paid either on an hourly or a piece-rate basis.

All other part-time employees have the following characteristics in common; they do not work under the employer's direct supervision and are paid on a commission or piece-rate basis. In the legal sense a number of these persons would more properly be called part-time agents, particularly in those cases where the work consists of selling a product or service. From the economic and social points of view, however, their earnings fall under the heading of labor income, and thus the duties performed constitute part-time employment or labor.

In another type of part-time work belonging to this second group, part or the whole of the productive process is transferred from the plant to the home. This is usually referred to as homework. This vestige of the handicraft stage of economic development is still found to a limited extent in certain industries, such as mica delaminating, artificial-flower manufacturing and textile knitting. Raw materials are usually supplied by the employer.

Industrial and Social Significance

The importance of part-time workers changes with the state of the economy. In time of war, for instance, the contribution of part-time workers can probably be considered essential to victory; the contribution is indispensable in the war plants in sustaining or increasing the output of munitions, as well as in the low priority industries which, as a result of compulsory transfers or direction of labor to essential occupations, must depend

to a great extent on part-time labor to continue operations. The same desperate need for part-time workers may persist in the post-war period if the war has interrupted normal production. This situation is found in Britain at the present time.

Notwithstanding whether times are good or bad, or the state of the labor market, a number of industries or establishments have a permanent need for part-time workers. Restaurants, retail stores, motion picture theatres are a few examples of enterprises which on account of the nature of the industry cannot operate profitably without part-time labor. Furthermore, there are small-scale enterprises in practically all industries which cannot employ full-time certain occupations such as bookkeepers or accountants, or even typists or stenographers. However, in such cases it is the size of the business and not its nature which impels the hiring of part-time employees.

Part-time employment is necessary in a period of prosperity because many employers cannot obtain the required number of full-time employees. A need also exists in time of depression in order to spread work opportunities. Both of these needs are treated at greater length in the course of this paper.

The following are some of the obvious social benefits of part-time employment: It will facilitate education or permit students to continue their studies in those cases where the financial burden is particularly onerous. Unemployed, retired or older workers, or handicapped persons, by engaging in part-time employment may earn sufficiently to obviate outright relief, or to prevent them from being wards of the State. This manifestation of self-help is especially significant today when we consider the modern trend towards dependency on the State for every contingency of life.

Part-time work may help to increase the standard of living of both the individual with a low income and the family group with a meagre family wage. Money so earned may thus remove many from the poverty or bare subsistence levels.

The increasing rate of neurosis and psychosis in the United States and Canada is in part attributed to mechanization of industry, and to the fact that work, by becoming increasingly simplified, is having a frustrating effect on the worker. By engaging in part-time activities more in line with the person's aptitudes, inclinations and personality traits, an outlet may be found and frustration averted.

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Types of Part-time Workers

PART-TIME WORKERS are of five main types: older workers, students, home workers, married women, and others who hold both a full-time and a part-time job.

For the most part older workers in the group are retired workers who, though unable or unwilling to be employed full-time, hold part-time jobs. Their reasons for seeking work vary. It may be to supplement an inadequate pension, rental or investment income, to graduate the change from a life of work to one of leisure, or simply because, from the employers' point of view, the older worker's services or special skills may still be required at least part-time.

Students form one of the most persistent groups of part-time workers, ranging all the way from primary school to university. The duties performed form an almost endless list, including such functions as: selling papers and magazines, baby-sitting, washing dishes or firing the furnace on the school's premises, working in the afternoon or on Saturday in a local retail store. Occasionally the school may have an arrangement with an employer whereby the student works and studies part-time under some 4-4 or other training plan. Financial reward is the main reason prompting students to work part-time, though the acquiring of practical experience is a consideration not to be overlooked.

Homeworkers have been dealt with earlier. These may be either older workers, married women or handicapped persons.

Married women form another important group of part-time workers, though they are not as persistent as students in this function. There is a tendency for the number of married women part-time employees to fluctuate with changes in the state of the economy or in government policy. Setting aside the patriotic motive operative in time of war, in the transplanting of married women into various part-time as well as full-time jobs in industrial plants, most married women work part-time in order to supplement the family income or to be financially independent from the husband. There are a number of these women of course who are employed part-time because they cannot attain their objective of holding full-time jobs. It may be because their family duties preclude full-time outside work, or because income taxation makes it unprofitable, or because they have not the skills required to compete in the full-time labor market.

The last group of persons hold both a regular and a part-time job in the same or in a different occupation or industry. The purposes here are also two-fold: to supplement the regular income or to serve as an outlet for

avocational interests which are not finding expression on the person's major job. The salaried architect who in his spare time prepares house plans for his friends and acquaintances is an example of the first. The plant drill operator who at night plays the saxophone in a paid dance orchestra is an example of the second.

Factors Affecting the Extent of Part-Time Employment

BOTH THE DEPRESSION and prosperity stages of the economic cycle cause an increase in part-time employment. In depression many employers must of necessity reduce the rate of their operations both by lay-offs and by spreading the work among the remaining personnel. Work spreading may be accomplished either by reducing the number of days of work per week or by reducing the number of hours per day. Whichever method is used it results in part-time employment. In periods of prosperity, characterized by a tight labor market, part-time labor increases because of the fact that employers cannot obtain their required number of full-time workers. Owing to their unfavorable competitive position, the service industries, the secondary textile industries, and others with traditional low-wage scales, are those most liable to be compelled to accept part-time workers.

In time of war or of military mobilization, when a sizeable number of the working poulation are temporarily out of the labor market, the industrial need for part-time employees is greatest of all. The same factors as those operating in a stage of peacetime prosperity apply but on an accentuated scale.

Government policy in connection with income tax, old age pensions, and unemployment insurance may have a direct effect on the level of part-time work.

Income tax legislation may have a deterrent effect by lowering the basic exemption from taxation. Depending upon the exemption policy, it may tend to prevent all workers from engaging in part-time remunerative activities, or it may restrain married women from seeking a job outside the home. It stands to reason that a more generous income tax exemption policy will have the opposite effect.

Where government old age pension plans are in effect, pension recipients may be deterred from working part-time if a low level of income earned is established as a basis for pension eligibility.

Similarly, unemployment insurance regulations may prevent many unemployed persons from seeking part-time jobs if by so doing they jeopardize their eligibility for insurance benefits.

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An entirely different factor, and one which promises to gain in importance with the years, is the trend towards the integration of education and work. For a long time educators, students, and employers alike have been finding fault with vocational and quasi-vocational training of both the high school and university levels with respect to the emphasis on theory at the expense of practice. We should, therefore, expect more and more institutions to enter into agreements with employers, whereby students pursuing various vocational or professional courses may be employed in regular part-time work in addition to summer vacation employment.

A rise in the cost of living may also have the effect of increasing the number of part-time workers if the government's income tax policy is not too severe. In an attempt to meet the family budget, married women may combine household duties with remunerative outside work; or the husband may work at night or on week-ends in addition to his regular job. This factor, evidently of a temporary nature, is at this moment compelling many teachers, civil servants, and other workers in occupations of industries of traditionally low and rigid wage scales to seek part-time employment.

II. Case Study

The Extent of Part-Time Employment in Canada in World War II

IN THE EARLY PART of 1944 a comprehensive survey of employment in Canada was launched by the Federal Department of Labour, including data on part-time workers. We shall attempt to review briefly certain aspects of the survey that have a bearing on part-time employment. Although the results of the study relate to conditions that obtained in 1944 and that have since changed, the fact that so little information is generally available on the subject justifies publication of this information.

Terms and Coverage

FOR PURPOSES OF THE SURVEY, part-time employees were considered to be persons working 3 days, or 24 hours, or less per week. Employees or agents working part-time on commission only were excluded.

The industrial divisions and industrial groups utilized in the survey were based on the Industrial Classification Manual of the Federal Department of Labour. The first represent the broadest possible breakdown of Canada's economic activities, while industrial groups stand midway between the specific industries and the major industrial groups.

The following data will help the reader visualize the scope and coverage of the survey as well as of the industrial classification utilized. The survey

covered the full-time and part-time employment of 2,431,625 employees, in 160,177 establishments, representing 725 industries; 280 industrial groups; 50 major industrial groups; and 8 industrial divisions. A ninth division, agriculture, though admittedly an important sector of the Canadian economy, had to be left out, owing to the insuperable difficulties involved in the measurement of its employment.

Summary Analysis[1]

VARIOUS FACTS may be brought out by industrial analysis of part-time employment. We shall deal here briefly with several phases of the analysis.

BY INDUSTRIAL DIVISION

In the first place, it is of interest to have a percentage breakdown by industrial division of part-time employees in the economy. In the survey referred to above, trade establishments, both retail and wholesale, had the highest proportion of part-time staff, namely, 39.3 per cent, followed by service establishments with 21.8 per cent, public utilities—7.1 per cent, finance, insurance and real estate—3.7 per cent, construction—1.6 per cent, mining—0.6 per cent, and fishing, forestry and trapping—0.5 per cent.[2]

Another factor worthy of note is the sex ratio of total part-time employees in each industry. Actually, a great difference in ratio exists, as revealed by the following figures.[3]

In the Canadian scene, the percentage of women employed part-time to total part-time employees ranged from 5.3, in the case of fishing, forestry and trapping, to 55.3 in the case of manufacturing. Other percentages of women part-time workers were 52.5 in service establishments, 51.7 in trade establishments, and 45.1 in finance, insurance and real estate. Analysis of this factor further revealed that the proportion of men employed part-time (51.7 p.c.) exceeded that of women for Canada as a whole. In

[1] In assessing the relative importance of part-time employment to total employment, we must bear in mind the fact that the percentages stated may be lower than would otherwise be if we were assured that no duplication was present. Though it is impossible to determine the extent or to correct the error, it is generally admitted that many persons hold two jobs at the same time: one part-time and another full-time with two different employers. This would have the effect of decreasing the ratio of part-time workers by increasing the total number of workers used as the base or denominator in the calculation of the percentages.

[2] Source. Tables I and IA, Report on Employment in Canada, January 1944, Research and Statistics Branch, Department of Labour, Ottawa, December 1944.

[3] Source: Tables IB and 19, Report on Employment in Canada, January 1944, Research and Statistics Branch, Department of Labour, Ottawa, December 1944.

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other words, taking the economy as a whole, there were more men than women employed part-time, at least at the time this survey was taken. This fact is actually contrary to public opinion. However, further analysis reveals that, viewed from another angle, female part-time employment exceeded that of male. It was found that the proportion of female part-time workers to total women employees was 6.5 per cent as compared with 3.1 per cent, the proportion of part-time male staff to total men employed in the country, part-time and full-time.

The third fact revealed by industrial analysis is the varying proportions of part-time workers to total employees (including part-time and full-time) in each industrial division as well as in the economy as a whole. On the basis of the data available, it appears that part-time employees were most important in wholesale and retail trades, with 11.5 per cent of the total employed being part-time workers, followed by the service industries with 9.5 per cent; finance, insurance and real estate with 4.4 per cent, and public utilities with 2.5 per cent. Of the total employed in the country as a whole, 4.1 per cent were part-time workers. An unexpected result of the analysis is the fact that, percentagewise, part-time employees were found to be more important in the construction industry (2.4 p.c.) than in the manufacturing industry (1.8 p.c.), despite the latter's high position with respect to the total number of part-time workers employed.[4]

By Leading Industrial Group

Arrangement of industrial groups in order of the number of part-time employees involved presents interesting data. In this analysis reference is made to industrial groups rather than industrial divisions. It was shown that 52 per cent of the total part-time employees were found in seventeen industrial groups. This points to a high concentration of part-time staff, since it must be emphasized that practically all the employers in Canada, comprising some 280 industrial groups, were asked to report their part-time employment.

In this analysis, department and variety stores (14.8 p.c.) headed the list with the highest number of part-time staff, followed in order by grocery stores (23.4 p.c.) restaurants, cafes and taverns (10.9 p.c.), retail clothing stores (13.8 p.c.), hotels (8.4 p.c.), water transportation (21.7 p.c.), drug stores (23.3 p.c.), movie theatres (22.6 p.c.), professional health services (3.3 p.c.), banking (5.5 p.c.), retail meat and fish stores

[4] Source: Based on figures appearing in Table I, Report on Employment in Canada, January 1944, Research and Statistics Branch, Department of Labour, Ottawa, December 1944.

(21.7 p.c.), general stores (11.1 p.c), packers (6.6 p.c.), educational institutions (13.6 p.c.), confectionery manufacturing (15.2 p.c.), highway freight transportation (5.5 p.c.), and finally, bread and pastry retail stores (17.5 p.c.).[5]

The relative importance of part-time workers in the total employment in each industrial group was also determined. These percentages are given in the previous paragraph, in brackets, after the industrial group listing. It can be seen that grocery stores with 23.4 per cent, drug stores with 23.3 per cent, and movie theatres with 22.6 per cent were leading areas of part-time employment. Health services, banking, and highway freight transportation were the industrial groups in which the lowest proportion of part-time staff was found.[6]

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[5] Source: Report on Employment in Canada, January 1944, Research and Statistics Branch, Department of Labour, Ottawa, December 1944.

[6] Source: Report on Employment in Canada, January 1944, Research and Statistics Branch, Department of Labour, Ottawa, December 1944.

The Land Shortage in the Netherlands

THE NETHERLANDS has a problem peculiar to the country's position. Fifty thousand farmers' sons must emigrate because there is no land available for them to work. In 1948, 7,500 and in 1949 about 10,000 left for Canada. But none could come to the United States because the country's quota is filled. The number leaving the country each year for the past two years, on that account, has been about 14,000. One wonders if all the land has been put to its most efficient use. Formerly, of course, the Netherlands met this problem by reclaiming land from the sea. Since the United States mistakenly insists on keeping millions of acres idle and underimproved rather than lower emmigration barriers, some would urge reclamation on the Dutch. Several Latin-American countries have more sensible policies, however. In co-operation with these countries, the Netherlands could solve its problem more cheaply.

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Some Prospects of a General Science of Human Relations

By WALTER G. O'DONNELL

SCIENCE, VARIATIONS IN SUBJECT-MATTER and method notwithstanding, is coming to be recognized as a phase of human experience inseparable from the cultural context and problem-solving purposes of society. In the most advanced sectors of scientific thought there is a growing tendency to define science with reference to a more inclusive range of human activity in which a science is seen as a special case of intellectual controls in the more general exercise of human intelligence. This broader perspective, quite characteristic of twentieth century science, tends to bring out more clearly the integral elements and vital interrelationships among the physical, biological, psychological, and social sciences. If science originated in man's environmental predicaments, it becomes increasingly obvious that society must depend upon science to save its productive artificial structure from destructive convulsions. Science and society have become not only interactive, but interdependent. Max Planck recognizes this important relationship when he writes:

> The roots of exact science feed in the soil of human life. But its link to it is two-fold. For it not only has its source in experience, but also has a retroactive effect on human life, both material and spiritual, and the more freely it can unfold itself, the stronger and more fruitful is this effect.[1]

Science emerges from the problematic situations and generally shared experiences and observations of man-in-action more fundamentally than from the secondary refinements of controlled experiment, statistical induction, and other scientific methods; and human relations, in turn, are largely conditioned by the technological applications of science. A method of intellectual integrity, rather than a rigid content, is coming to characterize modern science. Scientific methods, irrespective of the degree of exactness or strata of phenomena with which they work, when seen as intellectual instrumentalities of modern man used to achieve his purposes and serve his needs, lose their connection with the rigid departmentalism that characterized much of nineteenth century science.

Few would openly maintain that any science could develop a useful system of knowledge in a closed framework completely isolated from society, and specialization is generally regarded as a methodological expedient

[1] "The Meaning and Limits of Exact Science," *Science*, Sept. 30, 1949, p. 319.

of economy in the use of human resources. Even pure science (which is always short of 100 per cent purity) finds its justification in its unforeseen possibilities of social usefulness. Yet, an adamant and officious cult of analytical specialists and pure theorists in social science remains encased in their departmental cocoons, insulating their displays of rationalism from the empirical realities, pragmatic tests, and problematic situations of social life by means of a barrage of far-fetched assumptions and an array of preconceptions that hark back to an earlier stage of scientific and social development. Neglecting life, analytical work of this sort, however attractively garbed in statistical and mathematical techniques, is a reversion to a pre-Darwinian science and Cartesian rationalism in which scientific knowledge was regarded as independent of cultural determinants—residing in an inalterable and autonomous reservoir of natural law which scientists could tap by the logic of pure reason, regardless of creative innovations, significant irregularities, and emergent facts observable in the evolution of sciences and societies. This kind of rigid, rationalistic analysis, in the orthodox style of Newtonian deductive analysis which lends itself to impressive mathematical elaboration is enjoying a resurgence, especially in recent economic and sociological theory.

Conjectural Abstractions

CLEVER PURE THEORISTS, with a yen for the manipulation of logical abstractions, are particularly prominent among present-day British and American economists, brilliantly adept in spinning out price analysis, mathematical economics, abstract curves in theoretical markets, and intricate webs of Keynesian conjecture. Just as Spencer deadened the social analogies of Darwinian evolution by distorting it into a rigidly deductive mechanism in imitation of the method and model of the old physics, so, too, the resurgent neo-classical and neomarginalist schools of contemporary economic thought, enmeshed in obsolete mechanics, and out of tune with relevant scientific progress and the insistent problems of a changing institutional environment, perpetuate an ingrown, anaemic, impotent theoretical system—an intellectual asylum filled with the illusions of the "hidden hand," static equilibrium, utilities and costs balancing along tight-rope margins, amid the awe-inspiring automata of the market mechanism with prices performing for the amusement and reassurance of a nostalgic audience wedded to the conventions of the past. The shadows of Manchester and Cambridge still fall heavily over contemporary economic thought. Even some of the more promising elements in Keynesian theory and econometrics show signs of moving away from the more tedious

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processes of statistical induction towards increasing reliance upon the easier and more dazzling exercise of deductive analysis. A whole generation of brilliant young economic theorists appears to be moving fast, in reverse, towards the Social Physics of the seventeenth and eighteenth centuries; some of them may yet attain the logical consistency (and empirical irrelevance) of Quetelet's *Physique Sociale*.

It is interesting, however costly, to observe how nicely the outmoded physical, biological, and psychological notions serve as foundations for a backward-looking, detached system of reductive socio-economic theory; this connection is indicative of the interrelationship of the sciences of the past. It also points to the possibility of finding new scientific foundations for modern sociology and economics in the more recent advances in related and more basic fields of scientific inquiry. New prospects for a more socially useful body of economic and sociological theory may be found in a more general understanding, and application, among social scientists, of the relevant findings regarding man-in-action as organism-in-environment established in these related fields of scientific investigation. Moreover, the whole intellectual climate, world-view, philosophical perspective, and methodological approach of modern science is undergoing revolutionary changes, led by the New Physics, and it is very doubtful whether the social sciences can, or should, remain isolated from these contemporary scientific and philosophical developments.

These more recent scientific developments are accompanied by corresponding changes in socio-economic institutions, by reason of the interaction of science and society; and it is quite likely that both sociological and economic theory have lost prestige in the processes of social direction because they have lost social usefulness, and that they have lost much of their social usefulness because they are laggards in the dynamic ongoing process of scientific-social evolution. Twentieth century scientific and philosophic advances embodying a new world view of evolution, relativity, emergence, innovation, organicism, indeterminacy and philosophical naturalism open new prospects for a more effective co-ordination of the physical, biological, psychological, and social sciences in an integrated science of human relations under the auspices of critical philosophy and a newly developing sociology of knowledge. Workers on the frontiers of modern science are drawing closer to a synthetic viewpoint and utilization of their findings. Many of the most significant contributions to recent intellectual development have been made by scientists and philosophers working across the lines of several scientific disciplines. It appears, too,

that the urgent procession of socio-economic problems that results from the complicated effects of rapid technological changes attending scientific progress involve such complex elements and diverse ramifications that a pooling of various scientific resources is required for reconstructive solutions.

The growing trend toward synthesis through co-operative scientific relationships is evident in many quarters. A glance through the programs of the recent annual meetings of the American Association for the Advancement of Science reveals an increasing cross-fertilization in the various fields of scientific investigation. Educational movements for increased emphasis on "general education" and the rapid spread of "integrative courses" in American colleges and universities offer evidence that progressive educational institutions are responsive to this felt need for a synthetic approach to the problems of the modern world. The courses in Contemporary Civilization offered at Columbia University for many years, as the outstanding pioneering effort in this timely endeavor, have been conducted co-operatively by the departments of philosophy, economics, sociology, history, and political science, with signal success. Research institutes, such as the Yale Institute of Human Relations, similarly concerned with the co-ordination of investigations in several scientific fields, are being established in increasing numbers. The newly organized Foundation for Integrated Education has brought scholars together in workshops to discuss this general educational problem, and, among other constructive activities, has undertaken a survey of existing efforts to integrate the curricula of American institutions of higher learning. The Philosophy of Science Association, through meetings and its *Journal of Philosophy of Science* has also furthered the integrative trend in scientific circles. The AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY was one of the first of the organized efforts to encourage a wider understanding and application of interrelated sciences. A full survey and objective appraisal of this broad intellectual trend might disclose the promising beginnings of what may become the most vital scientific and cultural achievement of the twentieth century.

A Functional Synthesis of Knowledge

UNLESS THE REMARKABLE modern achievements of analytical science and technology are to be dissipated in the confusion of the random forces that they have let loose, new social directives must be constructed from a functional synthesis of modern scientific knowledge. From such a pooling of the cultural heritage of scientific resourcefulness the specific empirical content of normative social standards and human values can be ascertained and

society provided with the institutional means for the attainment of these goals of human welfare.

If science is to serve society in this regard, the springs of human action, as well as the constituents of welfare, must receive more intensive study and co-ordinate understanding in several related sciences dealing with human relations. The physical and biological sciences would be included with psychology and the social sciences in such an integrated and objective study of man-in-action as an organism interactive with other organic, ecological, physical, and cultural aspects of the environment. This kind of transactional understanding, with a common root system penetrating several scientific strata, is facilitated by present scientific trends away from the rigorous determinism and separatism of earlier scientific methodology. The fundamental indeterminancy and the statistical conception of probability pervading twentieth century physical and biological science render the findings of these sciences more compatible with the newer conceptions of psychology and social science. Norman Wiener, one of the frontiersmen of modern science, with a comprehensive sweep of genius, shows the essential identity of action in physical and psycho-biological phenomena and constructs machines that imitate and excel intricate human operations. There may be a decisive measure of progress in this new incentive to create machines in the image of man instead of conceiving of man in terms of machines, for in *Cybernetics*, man is the controller, not the controlled.

Deliberate co-operation among scientists in all fields of investigation in the interest of human welfare is becoming more and more a necessity for the orderly and intelligent reconstruction and control of the artificial and delicately organized environment of civilization. Scientists who work in the isolation of closed systems, apart from other sciences and apart from social necessities, are becoming insupportable luxuries, if not actual dangers, in a modern world in which it is becoming more and more urgent that the power of our scientific resources be directed towards an increasingly creative use of human energy. Pure science, competently organized and responsibly pursued, retains its potential social value, of course, but idle curiosity seeking a discovery of the "laws" of nature can no longer be reasonably regarded as a respectable use of limited resources. This detached attitude is a survival of an aristocratic notion of knowledge seeking as a leisure-time sport of the upper classes, and is consonant only with a social philosophy of privilege and oligarchy which regards things intellectual as best confined to a conspicuous display of time-consuming curiosity and distinctive decoration. Science has become the main instrument with

which society deals with its problems, and the whole process, as a part of the cultural heritage, is vested with a public interest which its practitioners can hardly afford to ignore. The reconciliation of the rights of free inquiry and academic freedom with an increased social responsibility of the scientific professions is one of the most insistent problems of our generation. Freedom of scientists from partisan political pressures, organized intellectual intolerance, and character assassination is equally important.

Science as Wrecker and as Humanizer

WHEN DAVID LILIENTHAL recently resigned from the chairmanship of the Atomic Energy Commission, an editorial in the *New York Times* pointed to the problem of scientific interrelationships in the following words:

> Atomic energy is bound to be an influence in the lives of all of us. It may wreck the world or it may humanize and enrich it. It cannot be treated as as purely technological or a purely strategic element. The truths of basic physics must somehow be related to the truths of the Declaration of Independence, the Constitution, and the Gettysburg Address. Here is the task in which David Lilienthal played a magnificent part and which we hope the man that follows him carries on. In the last analysis this great work does not involve uranium, power reactors, and isotopes—it involves the well-being and dignity of millions of human beings. The man who can assume the major part of that responsibility must be supremely gifted, completely unafraid, wholly unselfish and passionately devoted to the cause of human freedom.

This kind of problem, involving a common recognition of the important interactive relations of the physical and social sciences, is extremely difficult to reconcile with a report[2] published about the same time, to the effect that the Federal Administration will allocate $100,000,000, and private industrial interests, $25,000,000, to institutions of higher learning during the current academic year for the promotion of scientific research. Compared with expenditures for less constructive purposes and the cost of social damages resulting from inadequate facilities for education and research, this is a niggardly sum, but encouragement may be found in some scientific quarters in the fact that it represents a substantial increase over previous years. If one overlooks the commercial enlistment of scientists and the restrictive controls that are attached to some of these contributions in the interest of industrial concerns, this increased support of scientific research may indicate a growing recognition of the importance of more adequate financing of research projects, but the irony of the whole situation is the concentration of this financial assistance in the physical, engi-

[2] Benjamin Fine, *New York Times*, December 5, 1949.

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neering, biological, medical, and agricultural sciences, with virtually nothing allocated for research in the social sciences. This, combined with the omission of the social sciences from all proposals for a permanent National Science Foundation, represents an official view of the detached, irrelevant, and impotent state of the social sciences. The more practical physical and biological sciences are preferred both by government and industry as subjects for financial encouragement in their research activities. Decisions of this sort, which may have tragic cultural consequences, are the result of a failure to appreciate the vital interrelationships among the sciences. Prospects for the development of an objective science of human relations would be substantially improved if social scientists, through their professional organizations and available media of communication, would present the case for integral scientific advancement more emphatically to both industry and government.

Of course, an optimistic social scientist, naturally inclined to a puffing of the value of his services, can concentrate his attention upon the brighter bands of the problematic social spectrum and assemble some impressive evidence of the effective applications of social sciences. It can be pointed out that both government and industry are making more use of the services of social scientists, and a creditable war-time record can be cited. Undoubtedly some of our institutional practices are attributable to scientific social research, and there is a widening recognition of the growing need for competent social scientists in both private and public enterprise. But an objective view of the whole spectrum is quite deflationary. While social scientists are hired to perform some of the detailed work of business and governmental administration and, less frequently, to conduct research projects at the direction of policy-forming bodies, the strategic decisions of institutional development in finance, business, industry, labor, and government are made under empirical pressures of interest, power, and short-term calculations of advantage that have little, if any, reference to the objective findings and theoretical guideposts of the social sciences. The theoretical formulations of the social sciences tend to be backward-looking and reflective rather than forward-looking and directive, so that institutional developments are much more likely to be *reflected* in economic and sociological theory than *directed* from these scientific sources.

Admittedly, nearly all organized groups, private and public, use social science, or, at least, some of its tools and analysis, in their operations, but the participation of social scientists, either directly or indirectly, in ultimate decisions of important private and public policies is slight. The statisticians,

economic analysts, and industrial psychologists employed by an increasing number of business organizations are, of necessity, more devoted to industrial arts and business management than to social science, and there are numerous occasions when considerations of industrial economy may conflict with the broader, long-range criteria of social economy. The same can be said for social scientists employed by organized labor, farm groups, and other special interests. However desirable these employments may be, in themselves, and, indirectly, even to society in some degree, the mercenary employment of a social scientist is very apt to deprive him of freedom of inquiry and broad objectivity to such a degree as to render him something less than a *social* scientist.

To a somewhat less extent, the same is true of social scientists employed by governmental agencies; the definitely subordinate position of the President's Council of Economics Advisers, and the Social and Economic Council of the United Nations, in the immediate and important matters of policy formation, is indicative of the relegation of the social scientists, even when institutionally incorporated, to a menial position of supplementing, implementing, and alleviating the damaging consequences of strategic public policies formulated in other quarters. When the influence of social scientists becomes unusually strong, occasionally, in the policy-determining centers of governmental power, the public reaction finds expression in such derogatory phrases as "brain-trusters" and "political professors." The strain of anti-intellectualism is strong in our culture, and the conventional stereotype of the ludicrous "professor" and the general suspicion and disrespect for "theory" and other products of the "academic mind" are symptomatic of the low estate to which the social sciences have fallen in the public estimation. The physical and biological sciences, more obviously associated with practical technological and medical achievements, and privileged by a more manageable subject-matter in which relatively precise measurements, controlled experiments, and highly probable predictions are possible, have worked their way to a higher position of public prestige; but the social sciences, from the standpoint of general appreciation, practical usage, and cultural influence in the direction of institutional evolution, have remained "down in the dumps."

On practically every basis of comparison, financial support for research and development in the social sciences falls far in arrears of that provided in the physical and biological sciences, the latter being regarded as more "practical" by the powers that control the purse strings. A large proportion of the fellowships and scholarships in higher education are for the

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promotion of training and research in the natural sciences, so-called, as distinct from social sciences, which are presumably "unnatural." Whether one compares private or public educational and research outlays, the wide differential between funds allotted to the physical and the social sciences persists. Instructional budgets, research facilities, class loads, rate of increase of trained personnel, and the total national outlays for scientific research and development show the same differential in favor of the physical and biological sciences. Even with the limited demands upon the practical application of their services in many fields, social scientists—about 30,000—are still in short supply. No one would begrudge the physical sciences their comparatively good fortune in financial support; it is needed—and more. But a better balance of allocations, at a higher level of support, is needed. A little sensible reflection will quickly reveal the probable consequences of a continued neglect of the social sciences—a theme that has been as often repeated as it has been ignored in practice. One can argue with eloquence and logic, in academic circles of reciprocal admiration, that a continuation of such negligence is utter folly and will result in disastrous cultural consequences. But the fact remains: this negligent differential of financial support is *prima facie* evidence of our current cultural evaluation—or devaluation—of the social sciences.

The Practical Value of Social Theory

IT IS EASY to ascribe this devaluation of the social sciences to the prevalence of ignorance. But in this, a nation of comparatively wide educational opportunity, such an explanation points to the inadequate results of an educational system in which social sciences are participants, and in which education, itself, may be considered as one of the social sciences. Such an accusation is practically self-accusation for the social scientists. It would probably be more productive of improvement if social scientists would critically re-examine the teaching of their subjects, their basic preconceptions, postulates, and assumptions, along with their methodology and the empirical verification and practical application of their theories.

It is quite probable that the cultural devaluation of the social sciences is not entirely an irrational phenomenon. Elementary courses in economics, with emphasis on a rigid, detached analysis, have been known to turn many young people, permanently, away from this social science. Much of conventional social and economic theory is based on obsolescent observations, antique intellectual furnishings, and psychological and other pseudo-scientific notions long ago outmoded by the advances made in these related fields.

The social sciences are not likely to regain public prestige and the necessary financial support for their development until their *workability* for *social* purposes is more clearly and frequently demonstrated. Public appreciation must precede public appropriations. But this does not mean that *social* scientists should be enlisted as commissioned officers on the staffs of industrial and business organizations, financial concerns, labor organizations and other organized special interests in need of special pleading in scientific terminology, for there is a wide gulf between the objective scientific inquiry of a social scientist and the impassioned, well-paid special pleas of scientists turned advocates. This growing practice of enlisting social scientists in the furtherance of the special interests of various organized groups is interesting, legitimate, and even enlightening, and not necessarily to be discouraged, but it is not a substitute for a general program of support for social research in an integrated and objective science of human relations. Rather, the community surveys being made by groups of sociologists, the practical study of human and natural resources both on the national and world scale, and the basic statistical research being done by the National Bureau of Economic Research are the sort of practical research that should attract public attention and increased support for the social sciences.

One of the best ways to make the social sciences more workable in the solution of problems confronting the modern world is to synthesize their findings for the intelligent direction of institutional evolution. Departmental divisions among the sciences, largely a matter of accident and convention, cannot be allowed to stand against the current trend toward reintegration, without aggravating the cultural lag as well as the predicament of devaluation in which the social sciences now find themselves. All of the sciences were once included in the general subject of Natural Philosophy, and their boundary lines have shifted from time to time, always overlapping as a matter of fact. Our urgent intellectual need of the present is for a new Natural Philosophy as a framework of reference for the integrated sciences, including a general science of human relations. Such a Philosophy of Science is already in the making.

The insistent pressure of complex problems, which occur more frequently, extend more widely, and penetrate more deeply into the cultural matrix as a result of the highly accelerated rate and widening ramifications of scientific discovery and technological applications, accounts for the present trend toward integration. Modern social problems cannot be thoroughly understood, let alone solved, by reference to a single scientific

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discipline, and much of the impractical inadequacy of the more rigid types of economic and sociological analysis and theory can be attributed to a failure to consider the whole cultural context of the phenomena with which they deal and the corresponding contributions available from other fields of scientific investigation. Price analysis and theory, for example, reveal merely an instrumental and partial phase of human behavior, and not even an adequate basis for explaining what is conventionally regarded as economic behavior. It is not money, but *men* with—or without—money that require thorough analysis. Under rigid analysis within such a narrow framework of reference, reliable predictions are very improbable. No one scientific discipline is adequate to explain completely any segment of human behavior, and a really workable theory of human relations requires the contributions of all scientific disciplines for its practical development. It is necessary, as a basis for the intelligent solution of modern social problems, to study the manifold aspects of human behavior and its environmental determinants from various scientific viewpoints and with different methods, the findings of analytical investigation to be coordinated for synthetic understanding and organic social applications. The analytical process of atomistic vivisection is a necessary method in most scientific investigations, but this process is essentially incomplete, requiring empirical verification or sensible interpretation in the reconstructed synthetic whole. Much of the fragmentary futility of sociological and economic research, especially in dust-gathering dissertations, is due to a ready satisfaction with detached analysis tightly insulated from the changing intellectual climate and the organic environmental pressures.

The Crossing of Departmental Boundaries

THE CROSSING of the boundary lines of the various sciences, even in the analytical stages of investigation, is becoming more common. Foremost scholars starting from different scientific fields, crossing and re-crossing scientific boundary lines, are finding themselves with increasing frequency on common naturalistic grounds or even joining hands in the upper reaches of philosophy. This crossing of departmental lines enriches scientific methodology, and gives a realistic organic perspective and practicality to the content of the sciences. The social sciences, in particular, are in need of this kind of cross-fertilization, but conventional notions of the narrow scope of certain scientific disciplines, and the preoccupation of vested intellectual interests with a rigorous type of theoretical analysis which offers them a continuing opportunity for the display of their logical brilliance,

are among the obstacles in the way of a hardy hybridization of the social sciences.

However desirable may be the development of a new science of political economy as a practical move in the direction of a more competent problem-solving social science, the integration of sociology, political science, economics, and other social sciences is no longer to be regarded as an adequate basis for an objective science of human relations. All sciences having a bearing on human behavior and its environmental setting are relevant—and that means practically all of the physical, biological, and psychological sciences as well as the social sciences. All should be available for consultation in the social process of solving problems and guiding public policy. Fundamental scientific concepts, the sources of human motivation and action, and the manifold nature of modern problems require continuous inter-disciplinary consultation and co-operation in order to secure a thorough understanding of human relations and more effective instrumentalities of group action in the interest of human welfare.

Basic terms are used in the propositions of the several sciences with quite different meanings; except where it can be shown that the phenomena dealt with differ substantially, there is no reason for such discrepancies in semantics. Korzybski has done much to clear the air of such terminological confusion. It is known, for example, that economists use such concepts of physical sciences as "equilibrium" in a sense that is nonsense to physicists. Many of the fundamental postulates and preconceptions of the sciences rest upon common foundations in the basic strata of the physical and biological sciences, and unless these are explicity related to the most recent findings in these foundational sciences, the super-structure of social sciences may become distorted by a sinking foundation.

Action, perhaps the great common denominator of all of the sciences, is made meaningful by reference to human motivation and the consequences of combining the two in creative activity. The actual constituents of human welfare and the empirical content of human and social values provide the norms which give direction to individual and collective activities. These changing norms, and the value judgments which are the most active factors in human motivation, deserve thorough empirical analysis and synthesis. Values are of strategic importance in the study of human relations, penetrating not only the whole layer of biological, psychological, and social sciences, but the whole scientific process, studied resistance notwithstanding. Any serious study of values carries the investigator into several related fields of scientific investigation and philosophy.

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In addition to these fundamental scientific concepts, a thorough study of any general problem from the standpoint of finding a practical solution will reveal the inter-connection of the sciences. Consider, for example, how many scientific disciplines will have to be utilized in order to plan and administer the proposed Point Four Program to aid the underdeveloped areas of the world. Modern problems call for a new kind of social engineering in which the basic facts of the natural sciences are used in the functional analysis and organic direction of group life by social scientists aware of the attainable empirical content of values, human welfare, and constructive social goals. Scientific versatility is the need of the day. An integral science of human relations embodied in a new natural philosophy is urgent.

By way of brief summary, four reasons for scientific integration are suggested, in conclusion, as worthy of further study and research among social scientists:

1. The composite nature of social problems and their ramifications in several areas of scientific investigation.
2. The manifold aspects of human behavior and relations, including motivation, value judgments, and values.
3. The common and interchangeable facts, concepts, categories, principles, and postulates operative in the several layers of science—physical, biological, psychological, and social.
4. The generally accepted and alternative scientific methods, both analytic and synthetic, atomistic and organic, used or useable in the several fields of scientific inquiry, for methodological enrichment.

New prospects are in evidence for an integrated and objective science of human relations. The real opportunity, the real work, the real prospects of a sound naturalistic social science progressively directed towards the achievement of an increasing degree of human welfare and creative activity lie ahead. The materials are at hand.

Columbia University

A Program for Land Reform in India

THE AGRARIAN REFORMS COMMITTEE of the Indian Congress, headed by J. C. Kumarappa, recommended an 8-point program of land reform at the conclusion of a ten-day session in New Delhi on May 24, 1949. The program envisaged a composite pattern of agrarian economy, ranging from controlled individual farming to collective co-operatives and State farming.

The program consisted of the following: 1. The land tenure system should be rationalized and the minimum holding and maximum permissible size prescribed. 2. The rights of individual farmers and village communities should be protected. 3. New machinery of land management for development of agriculture should be set up consisting of representatives of village communities and regional authorities. Provincial and all-India land commissions should form part of this machinery. 4. Agricultural indebtedness should be scaled down. Side by side there should be a unified system of institutional credit to afford cheap and prompt credit to agriculturists. 5. A minimum wage for agricultural labor should be prescribed. 6. A new scheme of land assessment on a sliding scale linked with price levels of commodities should be introduced. 7. Remunerative prices for agricultural products should be fixed. 8. There should be a planned organization of 'agro-industries' to absorb surplus population in agriculture, and a rural welfare service based on social security principles.

This committee was appointed at the request of the conference of provincial revenue ministers of December, 1947. Its program is open to criticism on a number of grounds. It dodges the problem of the socialization of rent, which should be its basis. The land assessment scheme it proposes takes no account of modern developments in valuation for assessment; hence it will be difficult to improve the system later on. The whole program smacks of Marxist bias; despite its pious statement about the protection of the rights of individual farmers and village communities, it can only lead to the development of a directed, cartelized agriculture of the bankrupt Soviet type. Several features are useful, however, notably for the provision of adequate credit and the organization of rural industry.

This program, one regrets to note, will not lead to a rationalized land tenure system in India.

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The Civic Revival in Ohio

The Single Tax Philosophy in Cleveland and Toledo

By ROBERT H. BREMNER

PRIVILEGE WAS NOT THE DISCOVERY of the Civic Revival. Opposition to the idea of privilege has been an important item in the creed of all American democrats. Privilege was what Americans fought in Great Britain's western land policy and in the Tea Act of 1774; it was what roused the hostility of the Jeffersonians against Hamilton's financial policy; it was what Andrew Jackson wrestled with in his fight on the Second United States Bank. Privilege was what the Abolitionists hated in slavery and what men like Frank Hunt Hurd had opposed in the protective tariff. It was essentially against privilege that Bryan had led his crusade in 1896. In the early Eighteen-Nineties municipal administrators like Pingree of Detroit and Swift of Chicago, and writers like Edward W. Bemis and John R. Commons, had seen that the origin of municipal corruption lay in the traffic in franchises. But it was in the early years of the twentieth century that the idea of privilege came to have its widest acceptance and clearest meaning. As Lincoln Steffens was the best known of the literary men of this period engaged in exposing privilege, so the leaders of the Civic Revival and their supporters in Cleveland and Toledo were the outstanding political opponents of the condition. To the extent that their awareness of privilege was intellectually induced it was the philosophy of Henry George which was chiefly responsible for revealing it to them. The single tax philosophy also influenced the program of the Civic Revival more deeply than did any other contemporary social theory.

I

PERHAPS EVEN MORE KEENLY than some of its advocates, the opponents of the single tax realized that it was much more a fundamental plan for remaking society than a mere proposal for revenue reform.[1] Henry George was a social crusader before he was an economist. It is significant that during his lonely stay in New York in 1869 he was more impressed by the misery and poverty of the great city than by the grafting of the Tweed Ring. His economic researches were undertaken not to prove or disprove economic principles, but to find how poverty could be abolished. His

[1] See "Johnsonism in Ohio," *Gunton's Magazine*, Vol. XXV, pp. 283–94 (October 1903) for the interpretation of the aims of the single tax as viewed by a conservative.

campaigns for political office were waged, not just to win, but to educate the public to his doctrines by political agitation. The remedy for poverty that George set forth in "Progress and Poverty" was in line with American reliance upon individual enterprise: he would restore economic opportunity by destroying monopoly; he would destroy monopoly by the ingenious scheme of using taxation to confiscate the privileges on which monopoly was erected.

George's proposal eventually became known as the single tax because it was believed that the recapture by the State of all socially-created wealth would provide enough revenue so that the wealth produced by capital and labor (such as that represented by buildings and improvements, personal property, incomes, and industrial goods) could be exempted from taxation. The single taxer believed that the true principle of taxation was not to tax men on what they have made for themselves by their own labor and talents, but rather on what individuals have obtained of values that have been produced by society.[2] The outstanding examples of property whose worth is made by the community rather than by the possessor are franchise rights and the unimproved value of the land. The single taxer advocated not only the levying of taxes against the "unearned increment," as is done by special assessment taxes, but the raising of the tax to a point which would absorb the whole of the amount by which the growth and needs of the community have enriched the holder of the land or franchise. The single tax would destroy monopoly (and thus encourage free enterprise) by removing the value of the monopolist's particular kind of privilege. The result of this program would be to end private speculation in land and natural resources, and to encourage the public ownership of public utilities.

The single tax had a strong appeal to the Civic Revivalists because it offered a plausible way of destroying privilege and bringing back economic opportunity. They accepted the assumption that once all men were given a chance to get at the resources of the earth on equal terms, and to enjoy the full rewards of their work, involuntary poverty would disappear. In a privilege-less, poverty-less society, the self-interest of the individual would work in harmony with the welfare of the community.

The single tax canalized emotional sympathies and organized political and economic discontent behind what appeared to be a simple and feasible program. An important reason for its popularity with the Civic Revivalists was that it safeguarded individual liberties while recognizing social

[2] Tom L. Johnson, "A Single Tax Substitute for the Income Tax," *The Public*, XIV, 687 (July 21, 1911). This is a reprint of Johnson's speech in Congress on Jan. 30, 1894, *Congressional Record*, 53 Cong., 2 sess., p. 1652.

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values. The reforms suggested by the single tax could be obtained without force and without the necessity of establishing a tyrannical government. The followers of Henry George believed that only two things were necessary to put in motion the train of events from which the good things promised by the single tax were to flow: a legislative enactment granting to each municipality the right to adopt its own method of raising revenue, and a city ordinance exempting buildings and improvements and personal property from taxation.[3]

Of the Civic Revivalists only Samuel M. Jones was cool toward the single tax. He agreed with George that the unearned increment should be returned to the public; he agreed that monopoly shut off opportunity, was responsible for poverty, and corrupted politics. But he was not attracted by competition as a social ideal. Jones thought that competition made life a scramble for riches. He was interested in finding a friendlier way of making and distributing goods than was provided by a return to competition. He did not think land and franchises were the only property whose value was socially created. "Our whole civilization is a social product," said Jones. "Socialism is not a visionary plan for remodelling society; it is a present fact which is not yet recognized in the distribution of wealth."[4] In his economics Jones emphasized labor rather than land as underlying all wealth; in his social theory he stressed co-operation rather than individual rights. In his attitude toward all aspects of life having to do with making a living he was a collectivist. But in regard to a man's right to make his own decisions on such questions as religion, morals, politics, and thought, Jones was a vigorous individualist.[5] Instead of the restoration of competition, he proposed the conversion of the private benefits of monopoly into public benefits by substituting State for private ownership of the trusts. He thought that the democratic spirit of the American people would prevent American socialism from being repressive. His ideal was the *fraternal* rather than the *paternal* State.

II

THE SINGLE TAX was a typically urban philosophy, for it was in the city that social values were most clearly revealed. It appealed to most of the leaders of the Civic Revival not only because it seemed ethically just, but because they thought its results would be desirable from a practical stand-

[3] Frederic C. Howe, "The City, the Hope of Democracy" (New York, 1905), p. 278.
[4] Jones, "The New Right" (New York, 1899), p. 239.
[5] This is approximately the position to which the book, "Denmark, the Co-operative Way" (New York, 1936) indicates Frederic C. Howe had gravitated by the closing years of his life.

point. They expected the single tax to provide an automatic solution for all the problems of the city: political corruption, poverty, vice, slums, and the ever-present need for revenue.

They believed that one of its most tangible benefits would be to give to the city a source of revenue which would increase as the city grew in population (*i.e.*, as its need for revenue increased), and which would automatically become larger with each dollar spent on civic improvements. "The treasure of the city is the constantly increasing value of urban land through the growth of the city."[6] Hitherto, wrote Frederic C. Howe, the treasure of the city has been tapped directly only by the owners of land and the holders of franchise rights. Investors, speculators, and bankers have long realized that other forms of property decrease in value through depreciation and require constant attention and expenditure of money to keep them in a state of productivity. But the values of land and franchise rights in a growing city increase by night as well as day, in bad times as in good. This growing fund, the unearned increment, is a ready-made source of revenue for municipal purposes and should be taken by the city through taxation.[7]

Using these city-made funds, the municipal government could assume functions formerly impossible because of lack of sufficient revenue. The government would be in a position to do things for the people because the automatic operation of natural laws in a privilege-free society would release it from the repressive activities of regulation and punishment. The single taxers and the Cleveland and Toledo reformers did not want to reduce the State to a tax-collecting agency.[8] They wanted a minimum of repression and a maximum of service from the state. Henry George listed the transmission of telegraph messages, and the public ownership of heat, light, water, and power plants as examples of the kind of public services with which the single tax State would occupy itself. He emphasized the duty of the State to provide places of popular education, enlightenment and entertainment.[9]

The single tax approach to all the problem of the slum offers the best illustration of the way in which the Civic Revivalists expected this reform to help the city. Howe said the slum was the problem of the city, as the city was supposed to be the problem of democracy. He believed that

[6] Howe, "The City, the Hope of Democracy," p. 250.

[7] This paragraph is a paraphrase of Howe's discussion of the treasure of the city and how the city can get at it, *ibid.*, pp. 249–79.

[8] My view is contrary to that of John Chamberlain in "Farewell to Reform" (New York, 1933, p. 57.

[9] "Progress and Poverty," (New York, 1926) p. 454 *et seq.*

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naturally, and without the necessity of government supervision, by harnessing self-interest to the good of society, the single tax could rid the city of disease and crime-breeding areas and at the same time solve the whole housing problem.

The Civic Revivalists accepted the single taxers' assumption that the housing problem appears as soon as land becomes sufficiently valuable to force an economy in space. They attributed high rents to the values of the land site and to the practice of withholding land from best use in order to profit from an actual or speculative rise in value, rather than to the cost of the building material and labor required for erecting houses.

Howe outlined the history of a slum tenement in this manner: as the value of the site increases, a single house is converted into a double. Next the basement and attic are occupied. Then jerry-built wings are added to the sides and the rear. Eventually what was originally a residence for one family houses six or seven. Inevitably this process is accomplished only by sacrificing safety, privacy, sanitation, air, and light. Thus, according to the single tax interpretation of the development of slums, it is not the overcrowding of cities which causes high house rent, but high ground rent which forces the overcrowding of houses.[10]

The ordinary reformer demands the passage of building and sanitation codes to combat the evils of the slum. The single taxer, seconded by the Civic Revivalists, said the only effective way to handle the slum and housing problem was to reduce rents. They thought the best way to reduce rents was to destroy the speculative interest in land by appropriating land values through taxation. Then land previously held idle or only partly used would be forced into its most productive use so that the owner could meet the tax. Building would be stimulated and rents would fall as the number of houses and apartments was multiplied. Under the single tax tenants would not force rents up by bidding against each other for desirable quarters, but, on the contrary, landlords would have to compete for tenants. The competition of landlords to get tenants would prevent the former from shifting the tax burden to the renter.[11] The single tax would also reverse another situation which exists today: Our present tax laws, by taxing improvements as well as land, punish the man who builds a model tenement. Under the single tax the man who tried to get along without

[10] See Howe, "The City, the Hope of Democracy," pp. 181–201, for a discussion of the cause of slums.

[11] *Ibid.*, pp. 277–8 for Howe's reason why the land tax could not be shifted.

improving his land or by failing to use it in the most productive way would automatically be penalized.[12]

Its adherents also believed that the single tax would make cities both beautiful and prosperous. For the reasons outlined above, dilapidated buildings would be supplanted by new ones. Speculation would no longer disfigure a city by leaving vacant lots in its heart, while suburban areas were forced into unnatural development. Meanwhile, the increased revenue provided by land taxes would enable cities to engage in many projects of civic beautification.[13] The stimulation of building would offer employment to capital and labor;[14] low rents would make the city cheap to live in; and the removal of taxation from industry would invite manufacturing enterprise. "Untaxing the things people use will cheapen them," thought Johnson. "It will encourage production. . . . With cheap land on the one hand and cheap houses, factories and goods on the other, Cleveland will be the most attractive city in America."[15] Johnson believed that if one city adopted the single tax all cities would be forced to do the same. That was another example of the seemingly automatic operation of the single tax as a means of social reform.

The influence of the single tax philosophy on the movement for municipal ownership of public utilities will be discussed in a later section. Here it is necessary only to point out the relationship between the transportation question and land values as it was understood by men like Johnson and Howe. To the single taxer the street railway controversy in Cleveland during Johnson's administration was in some respects only an educational campaign conducted to make clear to the people the results of land monopoly.[16] Cheap transportation was admittedly one factor that would ease the housing problem. But Johnson felt that the benefit of low fares would be more likely to go to the owners of land so located as to be served by the street railway system than to the street car riders. He was of the opinion that the land monopolist absorbed every other surplus and that what the riders saved in car fare they would pay to the landlord in higher rent.

[12] *Ibid.*, pp. 202–13 for a single tax solution to the housing problem.

[13] Byron W. Holt, "The Single Tax Applied to Cities," *Municipal Affairs*, III, 328–349 (June 1899) discusses the effect of the single tax on municipal conditions with special emphasis on the ways in which it would aid in beautification of cities.

[14] Apparently it was believed that building costs would not rise precipitously because the single tax would make access to raw building materials easy and therefore keep their price down.

[15] Quoted in Howe, "Confessions of a Reformer" (New York, 1925), pp. 97–8.

[16] This is the interpretation of Johnson's fight against the Cleveland street railway company given in an editorial in the single tax magazine, *The Public*, at the start of the contest: "The Street Car Question in Ohio," *The Public*, III, 692–694 (Feb. 9, 1901).

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Johnson's forebodings seemed later to have been borne out by the experience of several English municipalities. In an attempt to solve their housing problem they had purchased street car lines and extended them out into the country. Then it was discovered that the introduction of transportation service had so increased the value of suburban land that its cost was prohibitive to most would-be purchasers.[17] In itself the municipal ownership of transportation facilities was therefore no remedy for the housing problem.

Johnson believed, however, that if the city had both the single tax and municipal ownership, the increase in land values induced by extensions of the street railway system (which increase would be taken by taxation) would be great enough to cover the operating expense of the transportation system. Then everybody could ride free "just as tenants of an office building are charged enough rent to permit free running of elevators."[18]

III

THE SINGLE TAX PHILOSOPHY appeared at a time when political corruption was still considered the chief evil of the city. The reforms brought about by the custom of occasionally "throwing the rascals out" and electing the other party to office had proved little more permanent that those effected by palace revolutions in the Balkans. The single tax suggested a way of getting at the roots of political corruption, but more than that, it ushered in a new period of municipal reform.

The idea of privilege, revived by the single tax, brought some reformers to grips with fundamental economic problems of which political corruption was only a symptom. The single tax philosophy as applied to cities emphasized the need for municipal home rule, for municipal ownership of public utilities, and for the simplification of the machinery of government, all of which have become accepted parts of later designs for civic improvement.

The single tax humanized municipal reform by bringing to light the contribution which the men and women usually regarded as failures in our economic system make to the development of social wealth. Its doctrine of involuntary poverty, which taught that lack of opportunity kept more men poor than did their own weaknesses, freed some reformers from the

[17] Howe, "An Epoch-Making English Budget," *The Independent*, LXVI, 1332–1335 (June 17, 1909).

[18] Edward L. Bemis "Detroit's Effort to Own Her Street Railways," *Municipal Affairs*, III, 475, (September 1899). For Johnson's own, statement of the desirability of free street cars see "My Story" (New York, 1911), pp. 39–40.

evangelical psychology. It helped them to avoid the shallow program of the impatient reformer who wants to make people be good by passing laws.

The Civic Revival exemplifies all of these influences of the single tax on municipal reform. In addition, it illustrates the significance of that philosophy in American history as a whole. The single tax philosophy made an important and practical contribution to the general movement by which the individualistic ideas regarding economics, politics, and religion, which had evolved out of our earlier condition of life, were being adjusted to the present fact of our industrial and urban environment. The single tax philosophy, more tangibly than any other intellectual force, altered our individualistic theory of wealth by showing how society as well as land, labor, and capital creates wealth. A man like Golden Rule Jones, who *felt* the brotherhood of man, didn't need the single tax to show him the riches—not of money alone—which men's association with each other inspire. On the other hand, Tom Johnson and the average American had to have something graphic to make the concept of social values real. The single tax gave such men a practical demonstration of the validity of this idea by applying to social conditions a principle (the rise of urban land values with the increase in population) upon which many of them had acted in business.

Ohio State University

Aristocratic Rats

WORK CARRIED ON by Dr. John B. Calhoun of Johns Hopkins University indicates that Norwegian rats living closest to the food supply provided for a colony of the rodents grow most rapidly and, because of their size, assume a higher social status. The same is true of their young. This is an interesting approach to sociolgical research, and makes it look as if environment is more important that heredity in determining the social status and welfare of the individual.

T. SWANN HARDING

USDA,
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· REVIEWS ·

Recent Books on World War II

I Saw Poland Betrayed. By Arthur Bliss Lane. Indianapolis & New York: The Bobbs-Merrill Company, 1948, 344 pp., index, $3.50.

Defeat in Victory. By Jan Ciechanowski. New York: Doubleday & Company, Inc., 1947, xviii + 397 pp., $3.50.

The Last Days of Hitler. By H. R. Trevor-Roper. New York: The Macmillan Company, 1947, xvi + 254 pp., index, $3.00.

Hungary, The Unwilling Satellite. By John Flournoy Montgomery. New York: The Devin-Adair Company, 1947, vi + 281 pp., chron., biblio., index, $3.00.

A Modern Law of Nations. By Philip C. Jessup. New York: The Macmillan Company, 1948, 221 pp., $4.00.

The Von Hassell Diaries, 1938–1944. By Ulrich von Hassell. London: Hamish Hamilton, 1948, 365 pp., index, 15*s*.

Design for Aggression. The Inside Story of Hitler's War Plans. By Peter de Mendelssohn. New York and London: Harper & Brothers, 1946, xvi + 270 pp., index., $3.50.

To the Bitter End. By Hans Bernd Gisevius. Trans. from the German by Richard and Clara Winstone, Introduction by Allen W. Dulles. London: Jonathan Cape, 1948, 18*s*.

It is not easy to understand why anyone who has followed the trends of war literature in recent months should be surprised to see in our newsprints statements to the effect that in destroying Hitler we have raised up a worse dictator. William Henry Chamberlin, in an article in *The Wall Street Journal*, quoted Mr. Averell Harriman on this very subject, and there have been several other similar statements from publicists and politicians who are shocked at the sinister situation that confronts Western Europe.

Informed men of affairs ought to have been prepared for this change of heart about our ally when Jan Smuts referred to the Russian colossus which threatened western civilization. We had warning enough before the Yalta Conference (in February, 1945), but the propaganda against Hitler had been so intense that the public could not imagine that we had much to fear from an ally who had materially helped us (with our direct aid) to win the war. There may be many similar surprises in store for the too credulous readers of newspapers now that a steady stream of books on the war

is coming from the press. Yet, it is doubtful whether the authors who desire to inform us will succeed in penetrating the apathy and indifference of the people generally toward historical dissertations of the "past and gone." As was said after World War I, when the secrets of the diplomatic closets were revealed to public gaze, so will it be said now. In all probability the man in the street will shrug his shoulders and say, "What's the good? That's all past and gone!" It is this "past-and-gone" attitude that perpetuates the war business. The children born during these ten years, when they become youths, will have scarcely any recollection of what has taken place. It is too much trouble for their fathers to study the literature of the war and, as the children have little or no opportunity in the public schools to learn anything about it, they become easy prey when the next crisis overtakes them.

Books on the tragedy of Poland have attracted much attention. They have been reviewed in the principal newspapers and prominently displayed in the booksellers' windows and on their counters. Arthur Bliss Lane's work, "I Saw Poland Betrayed," is one of the most disturbing volumes that has been given to us, and "Defeat in Victory" by Jan Ciechanowski, Polish Ambassador to the United States during the war years, is a shocking revelation of the duplicity practiced at the White House.

The Nuremberg Trials

THERE HAVE BEEN SEVERAL WORKS on the debacle of the German forces. In "The Last Days of Hitler," Major Trevor-Roper, who teaches history at Christ Church, Oxford, has given us the story of how the edifice of the Third Reich toppled down and buried its architects under tons of flaming débris. In the years to come Major Trevor-Roper may wish to rewrite this volume and expunge from it much of his own commentary which mars many a page and stamps so much of it as the effort of a melodramatic reporter.

In several interesting contributions written for *The New York Times Magazine* he has taken pains to dot the *i*'s and cross the *t*'s of the account in his book. One article, "The Lasting Effects of the Nuremberg Trial" (October 20, 1946), tells us:

> The Nuremberg trials are over; the sentences have been pronounced and executed; not only nazism but its leaders and prophets and most spectacular parasites are dead. There is nothing left to write on the subject except the epitaph.

He then asks: "What will history say of these trials?" Ah, there's the

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rub. It is saying a good deal at this present time. Clio has always been an uncanny jade. She takes delight in contradicting historians. Perhaps, in a few years, historians will not be satisfied with the records that are now appearing and, as has been done in the past, they may be inclined to make a wider survey of and deeper investigation into the causes which brought about this holocaust.

During these past eight or nine years many direct and pertinent questions have been put to this reviewer by English and American friends who are deeply disturbed about what has happened. These inquiries indicate an increasing dissatisfaction with the popular reports and the declarations of politicians about the war and how it came to be. Governments are never good at history, and their authors only too often reveal a disposition to overlook some shortcomings of statesmen and their supporters when they present the case for the State.

Already serious-minded men, and not a few women, are asking awkward questions about the Nuremberg trials; the setup of the court and its procedure. Perhaps the reason for this may be attributed to the strenuous way in which some of those responsible for it have attempted to defend its constitution. Not only here but in England the claim of its apologists, that it represented an international court, has been challenged. Of course it was nothing of the kind and, as was pointed out as early as February, 1944, by Lord Atkin (former Lord Justice of Appeal): "The person accused must be one who is subject to the law, either common or statutory, of that State."

Some people seem to be shocked that British and American jurists should sit on the bench with Mr. Vishinsky, when they must have known what had happened in Hungary and, particularly, in Budapest when the Russian army entered that country. A voluminous report was made by the Swiss legation of what took place, and part of it is published in John Flournoy Montgomery's work, "Hungary, The Unwilling Satellite."

There is another very important question being asked by some people who have studied this matter, and that refers to the secret protocol of the Russo-German non-aggression pact of 1939. This incriminating document was referred to in an article published on May 22, 1946 by the *St. Louis Post-Dispatch.* The student interested in the procedure of the Nuremberg trials should turn to Mr. Montgomery's book and read his description of what took place when this document was brought forward by the defense as evidence of Russia's complicity. Several articles have appeared in some papers (read by few) which raise the question why

Britain and America decided so late in the day to take into their own hands a quite new legal procedure for dealing with war criminals. Before Russia became the ally of the western powers there was copious evidence to convict her of transgressing civilized laws and of committing terrible crimes upon her own people even when no war with a foreign power was taking place.

History is saying a good deal, and Major Trevor-Roper must be very young as a historian if he labors under the delusion that we have heard the end of the Nuremberg trials. When this matter is raised today, it is often remarked that the trials took place because the accused criminals had been defeated in war. But wars have taken place before this—so many, indeed, in our lifetime that perhaps people have become callous of spirit and mentally disillusioned; so much so that the generality are indifferent to these grave concerns. Perhaps it really does not matter at what conclusion the inquiring few arrive, for nothing can be done to mend matters now that we are all the victims of the propaganda of our governments and of the enemy's also. The modern mind in these days of the machine and gadgets cannot be expected to consider the serious things which people two generations ago studied with care. Besides, professional men are not so free today to utter their thoughts frankly on such affairs, for the State has powers now which no one during the nineteenth century ever thought it could exercise.

An International Legal Order

IN REVIEWING "A Modern Law of Nations," by Philip C. Jessup (*New York Times Book Review*, March 14, 1948), Associate Justice of the United States Supreme Court Robert H. Jackson goes to some pains to instruct us on the necessity of what is called "an international legal order." In this he overlooks the notorious fact that, for some strange reason, our laws here in the United States cannot cope with our own disorders and, particularly, those of a political kind. In discussing Mr. Jessup's thesis, Jackson says:

> . . . Certainly we can have an effective International Bill of Rights only if we put some legal fetter on all governments, such as our Bill of Rights puts on the Federal and state governments. . . .

So we have reached the stage when our jurists think we can effectively "put some legal fetter on all governments." We are moving fast in these days of the new jurisprudence. One imagined, before this war began, that governments other than our own could decide for themselves what

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laws were necessary and that they were competent to administer them. Some people wish to know how Jackson's notion of "some legal fetter" differs from Stalin's. Perhaps it might serve the Associate Justice usefully if Mr. Hoover of the Federal Bureau of Investigation sent him a report on the criminals apprehended last year, listing the sex and ages of the culprits and the nature of the crimes they committed. Our magnanimity in doing for others that which we are incapable of doing for ourselves is startling.

When Mr. Jackson was Attorney General, he told us:

> . . . Wars today are fought and won before they are declared. Any nation that, in the presence of rising hostility and strain with one another, awaits a declaration of war to assert itself is as naïve as a citizen who expects a burglar to make a formal call to announce his house-breaking intentions.

This extraordinary pronouncement was made about seven months before the disaster at Pearl Harbor took place. Our Associate Justice forgets that some of the best European minds have for many years been trying to find a way out of what Lowes Dickinson called "The International Anarchy," and that many of these men and women have ventured to suggest that the easiest and best way of going about the business is to try the criminals at home first, and depend on the enemy to try theirs. Dozens of books have been published on this theme, and now that the apologists have started people thinking (although these are very few), it might be possible for the inquiry to spread and harness the wandering notions of our politically minded lawyers to home affairs.

Separation of Pre-War Period from the War Proper

IT IS IMPOSSIBLE to go through the voluminous library of books issued during the past eighteen months with the idea of getting at the root of the problem unless a cold-blooded, scientific approach is adopted from the first. This is not easy because it is so difficult to draw the line of demarcation between what occurred before Munich and after it. Nay, it is more difficult still to draw the line at the last days of August, 1939. The war itself lingers in one's thought and colors the review from the moment it starts. There are few who have had the experience of going through the literature of the Boer War and the first World War. To get at the truth of what brought them about, it was essential in each case to separate what happened after the first shots were fired from the political and diplomatic turmoil that passed before.

Take three books of deep interest that might be of service to the historian of the future: "The Von Hassell Diaries, 1938–1944"; "Design for Aggression," by Peter de Mendelssohn; and "To the Bitter End," by Hans Bernd Gisevius. These are works that refer particularly to the later periods of this history.

Von Hassell's book begins with the Sudeten crisis in 1938 and ends just before he was condemned to death, in July, 1944. This is a work of extraordinary interest, revealing in a vivid way what went on in Germany during the war.

The story told by Gisevius in "To the Bitter End" corroborates much that von Hassell recounts in his work. But owing to the obvious self-importance of the author, it fails to impress one as it should. Still, it ought not to be overlooked as an important contribution to the history of the inner workings of the Nazi rulers.

Mr. de Mendelssohn's book is something different, for as its subtitle indicates ("The Inside Story of Hitler's War Plans"), it widens the field of inquiry and produces the documents of the preparations that were made for the conflict. These were introduced at the Nuremberg trials. The first chapter, "The Best Way to Start a War," begins with a statement from Hitler's political testament published in January, 1946:

> It is untrue that I or anybody else in Germany wanted the war in 1939. . . . I have made too many offers of restriction and limitation of armaments which posterity will not be able to dispute forever, to be charged with the responsibility for the outbreak of this war. Furthermore I never desired, after the unfortunate first world war, to see another conflict arise with Great Britain or even the United States. (p. 1)

Against this the author quotes a speech made by Hitler to commanders-in-chief, on November 23, 1939, after the campaign in Poland:

> One might accuse me of wanting to fight and fight again. In struggle I see the fate of all beings. I did not organize the armed forces in order not to strike. The decision to strike was always in me. Time is working for our adversary. I shall strike and not capitulate! (p. 1)

Commenting upon this seeming contradiction, de Mendelssohn says: "It is not the purpose of these studies to prove that Hitler was a liar. The world knows that." (p. 2)

When the judicious historian sets to work upon the history of the war, the very point raised above will, in all probability, compel him to find a reason why Hitler lied. It is very likely that he will not find it in the evidence that was presented at Nuremberg.

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After elaborate quotations from the documents on the German preparations for war, de Mendelssohn says:

> . . . Such precautionary measures against violations of national territory by a foreign power are normal, and form part of the natural routine work of any general staff in any country in the world. . . . (p. 5)

Of course! All the principal powers of Europe did that before they ever heard the name of Hitler; and since the time of the first conquest, every State has considered it essential to do so for the protection of its subjects. According to Mr. Lloyd George in his speech delivered in the House of Commons on March 10, 1936, there were five States bordering on German territory armed to the teeth against her. And these did not include Great Britain nor the expected help of the United States.

The Historian of the Future and World War II

NOW WHEN THE JUDICIOUS HISTORIAN begins his work to find the causes of the destruction of Europe, he will naturally turn to the records of Great Britain and France first, because the case against Germany has been fully dealt with at Nuremberg. It may very well be that the cold-blooded analyst is already at work. Surely he will ponder deeply the reasons why such records as were placed in evidence at the trial of the war criminals should contain a thousand and one direct questions that beg for an answer. He will not be satisfied with any of the books I have seen so far dealing with this portentous matter during the years 1937 to 1945. And why should he, if he be a historian proper? He knows there are ten times as many books published by British and American authors before the Sudeten crisis arose, which deal with the early history, as there are recent works whose authors concentrate upon the war period. Moreover, the debates in the House of Commons cannot be ignored nor can the works that came from the pen of Winston Churchill.

It is rather hasty to imagine that this business ended with the executions at Nuremberg. Perhaps the people in this country today who are screaming for another war against our recent ally (or is she now an ally of ours?) may, as a famous columnist put it, upset the pot and spill the beans. It is generally known that Russia herself could startle the world by publishing what she actually knows of the whole matter since Hitler became leader of the Reich. However that may be, those who are seemingly bent upon another trial of military strength in Europe are responsible for opening up the whole question, and therefore tempting the judicious historian to set to work.

I wonder what the learned man will say when he reads Mr. Lloyd George's speech made in the House of Commons as early as February 5, 1936. At that time he told the members what happened at the Stresa Conference, which met to consider what action would be taken against Germany for breaking the Locarno agreement. He said:

> Germany was entitled to believe that those three Great Powers meant to take action. They probably meant business, but every month there was delay, until at last it became impossible to do anything. *We are responsible for creating the atmosphere of fear.* Is it not possible to break this circle of death before it is too late? (These speeches are quoted by Wyndham Lewis in his remarkable work, "Left Wings Over Europe," London, 1936, p. 115).

There is another matter which will engage the attention of the judicious historian, and that is why, in 1939, Great Britain failed in her attempt to win Russia as an ally before Hitler succeeded in doing so. The history of that futile business is extant, and it makes interesting reading now that Russia is creeping toward the West. In connection with this "abortive overture," as it was called by Mr. Lloyd George, there will arise the question of why Great Britain did not declare war against Russia when that power made the first onslaught against Finland and took her share of Polish territory. Are we now paying for that crass stupidity—perhaps duplicity—of the diplomacy of the western powers and trying to cover our political and diplomatic sins by similar inane proceedings which may engulf us shortly in another but more terrible adventure?

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New York

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